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U.S. lodging INDUSTRY

Laventhol & Horwath
Certified Public Accountants

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U.S. LODGING INDUSTRY

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THE U.S. LODGING INDUSTRY YESTERDAY, TODAY AND TOMORROW

by John D. Lesure,
Director, Research and Development Division

We have added "yesterday" to the title because 1984 seems to be the year for anniversaries. On July 13, 1584, 400 years ago, a group of English travelers arrived at Roanoke Island on the coast of North Carolina. No hotel manager greeted those visitors; in fact, it was 50 years later that a tavern was opened in Boston that may have been the first "hotel" in the United States. In his book *The Hotel and Restaurant Business,* Don Lundburg cites Coles Ordinary as "probably the first (tavern) in the Colonies." Taverns were the ancestors of the country inn and later the hotel as we know it today, although the service of food and beverages was the primary purpose of the early establishments. Use of the term "hotel" became fairly common about 200 years ago, but *coffee house, inn, ordinary* and *tavern* all could mean that both food and lodging were available. One of the earliest hotels was the City Hotel in New York City, which opened in 1790 with 73 rooms for travelers.

Other anniversaries in 1984 involve two of the nation's major tourist attractions: the Washington Monument, which was completed on December 6, 1884, and the Statue of Liberty, which was completed in 1884 although not erected on its present site until 1886. Also, in the lodging industry, the American Hotel & Motel Association is celebrating its 75th anniversary this year.

Although the lodging industry in the United States dates to the earliest years of settlement, there have been many changes in size, capacity, location, services, accounting and control and technology. The following comments will explore some of them in terms of yesterday, today and tomorrow.

Location, size and capacity

Early lodging establishments were located in the centers of small towns and cities, where transients could be expected from the stagecoach lines or where visitors traveling by land or sea might need to spend several days. This early association of lodging and travel routes and modes continues, but it has shifted since the late 18th century from the stagecoach to the railroad to the automobile and, more recently, to the airplane.

At the same time, the average size of individual establishments and the capacity of the industry have grown with the number and needs of travelers. Although there are some references to the number of lodging places in certain cities (reportedly, New York City had more than 100 hotels 60 years ago), the first nationwide inventory of guest rooms was attempted only 56 years ago. In 1928 at the request of the American Hotel Association (AHA), our predecessor firm, Horwath & Horwath, analyzed questionnaires returned by AHA members and used other methods to compile as accurate a list as possible of all hotels, classified by size and location. Table 1 shows a comparison of the results of that inventory with current estimates based on the Laventhol & Horwath Inventory of the Lodging Industry. In 1928, the "Estimated Value" was based on $3,300 per available room, an average obtained from responses to the questionnaires. The current Laventhol & Horwath estimate is based on $33,750 per room, which is the 1928 amount adjusted for inflation.

Table 1
The Lodging Industry
Size and Capacity

	May 1		Average Annual Increase
	1984	1928	
Establishments	53,600	25,950	1.3%
Rooms	2,714,000	1,521,000	1.0
Estimated value (millions)	$91,600	$5,024	5.3
Employees	576,000	1,194,800	1.3
Annual sales (millions)	$33,367	$1,315	5.9

Source: *The Alarm Clock*, Horwath & Horwath, June 1, 1928; Laventhol & Horwath Inventory of the Lodging Industry.

Table 2

Plan of Operation	Number of Hotels	Number of Rooms	Total Receipts (000)
European	10,907	969,172	$790,740
American	1,097	78,020	90,663
Mixed	1,324	87,765	81,398

The first official census of the lodging industry was conducted in 1930 covering the year 1929, but it was limited to hotels having 25 or more guest rooms. Although limited in scope, the earliest census contained some interesting information not covered by more recent reports. For example, data was broken down by plan of operation as shown in Table 2.

The American Plan style of operation, in which meals and lodging are included in one price, was the norm until the Parker House opened in 1855 offering the somewhat revolutionary European Plan, in which there were separate charges for rooms and meals. The Modified American Plan, where the daily charge includes two meals, and the full American Plan are still common at many resort hotels. In 1929, nearly 85 percent of the seasonal properties and 18 percent of the year-round establishments used either the full American or the mixed (American and European) plan styles of operation.

The comparison of the census reports for 1948 and 1977 shown in Table 3 provides a picture of the changes in size and structure that have taken place in the lodging industry since World War II. In 1948, only 44 percent of the rooms available in properties operated throughout the year were in establishments with 100 or more rooms. By 1977 this had increased to 58 percent, and we estimate the current ratio at 62 percent. The annual growth in capacity has been only 1 percent since 1928; however, most of it has taken place in the larger properties as the number of lodging facilities with fewer than 50 rooms has actually declined.

Architecture and design

In 1807, the Exchange Coffee House, a seven-story structure containing nearly 300 guest rooms, a commercial exchange, dining rooms and a ballroom opened in Boston. The unique feature of this establishment was the five-story atrium with a glass dome over which the guest and public rooms looked. The hotel lobby atrium with balconies directly above it is a fairly common architectural treatment today; in fact, a recent addition (1983) to the Orlando lodging inventory contains three atriums. The concept, however, is nearly 180 years old.

The Tremont House in Boston, which opened in 1829, was so innovative in architecture and design that it became a model for modern hotels. One of its major features was the lobby containing the front office, which guests entered from the street. Until that time it was common to enter the hotel through a barroom, but the Tremont's public rooms contained sliding doors for expansion and were entered from the lobby as in most of today's structures. The architect of the Tremont House was immediately in demand, and his next assignment was the Astor House in New York City, which was two stories higher and contained more than 300 rooms. Hotels have since grown taller and larger, but many of the basic design concepts were established in the 19th century. The most recent addition to the Boston skyline, for example, contains 39 floors, nearly seven times the 170 rooms of the Tremont and, of course, many more public rooms. However, it is unlikely that today's visitors to Boston are as impressed as the guests of the Tremont House—the first hotel to have indoor plumbing, a free cake of soap and rooms that could actually be locked.

Services

In the early colonial inns and taverns, the services provided were limited to food and beverages and a place to sleep, if necessary. Privacy was not assured, sanitation and security were doubtful, and the recreation and entertainment facilities that have become fairly common in today's hotels were unknown except for gaming. The Hotel Tremont in Boston was the first to provide keys to the guest rooms and to bring the sanitation facilities inside. The Astor House had bathrooms on each floor using roof tanks supplied by a steam pump. That was only 150 years ago; it was 60 years later that the Waldorf-Astoria opened with a majority (75 percent) of the guest rooms with private bath.

There is no readily available record of the first property to provide a swimming pool or TV in each guest room, or the other facilities and amenities of modern hotels. The list of services offered by the large year-round resorts would easily fill a page, and many hotels in downtown locations have earned the designation "full-service." However, the trend today is to provide only those services for which the guest is willing to pay.

Table 3
Changes in Size and Structure*
1948–1977

Room Size	Number of Guest Rooms 1977	Number of Guest Rooms 1948	Average Annual Increase
300 and over	398,292	255,399	1.5%
100–299	710,992	390,996	2.1
50–99	377,886	335,222	0.4
25–49	260,435	285,852	(0.3)
Under 25	157,215	194,890	(0.7)
Total	1,904,820	1,462,359	0.9

*Year-round establishments with payroll.
Source: *Census of Service Industries, Hotels, Motels and Other Lodging Places*, U.S. Department of Commerce, 1977 and 1948. Laventhol & Horwath estimates.

Accounting and control

Very little is known about the accounting and control systems used in the early taverns and inns, but the general rule was probably cash-in-advance. Even today, many smaller lodging establishments ask guests to pay for their rooms upon check-in, and even those with charge provisions expect the guest to provide some evidence of ability to pay on departure. When Horwath & Horwath's founders, Ernest and Edmund Horwath, first came to the United States they discovered very little uniformity in the accounting and control systems used by hotels. Most were on a cash basis system and in its early years, the firm worked with many hotel operators to develop uniform account classifications and accounting procedures. *The Uniform System of Accounts for Hotels* was first published in 1928, and an eighth revision of this basic account classification system is presently underway.

Technology

The technological changes in the lodging industry in the past five years have been quite rapid, particularly in the use of computers for energy control and accounting. Many of the advantages provided by advances in technology are surprisingly recent. For example, the first air-conditioning system to include every public room in a hotel was introduced only 50 years ago in the Detroit Statler. The elevator was first used in a hotel for carrying guest luggage about 150 years ago, but the first use for passengers was not until 1859. Both electricity and room phones are more recent, the latter being first installed in a hotel in New York City only 90 years ago.

Outlook

In 1849, Alphonse Karr said "Plus ca change, plus c'est la meme chose." There is ample evidence of this in the lodging industry. Bed & breakfast operations and country inns are similar to the colonial taverns and tourist houses of the 18th and 19th centuries. In the late 19th century, traveling sales representatives known as "drummers" covered the country by rail for their companies displaying and selling their goods in hotel rooms and lobbies. Today they travel by air, and the trade show has reduced the need for "sample" rooms in hotels, but commercial travelers are still a big segment of the lodging market. There will continue to be changes in the lodging industry in the future, but the basic needs of the traveler will still be met by properties providing a safe, private space for sleeping and offering services including food, beverages and recreation designed to please their customers. Behind the scenes, computers will control many services, and machines will gradually take over the more menial tasks. However, the need for guest contact with a well-trained, efficient staff will not decrease, in fact, it may increase as technological changes make the operation less personal.

The outlook is good for the lodging industry over the balance of the 20th century, although there will continue to be periods of economic highs and lows that will influence the demand. Laventhol & Horwath projects the following profile for the lodging industry by the year 2000 as shown in Table 4.

Table 4

Average number of rooms available daily	3,218,500
Percentage of occupancy	68%
Total sales (in millions of current dollars)	$150,800
Employees	1,466,500
Salaries and wages (in millions of current dollars)	$ 40,800

COMMENTS FROM AROUND THE COUNTRY

From Albuquerque

"Continued optimism" is the phrase that best describes the Albuquerque lodging industry. Occupancy in the area increased to 72 percent for 1983 compared with 65 percent in 1982, and the average room rate increased about 3 percent. The increased occupancy is attributed to an improving economy and to large group functions like the NCAA college basketball tournament taking place in Albuquerque. This year is expected to be an even better year for most area lodging facilities, which hope to capture lodging demand from tourists traveling by car or bus to the 1984 Summer Olympic Games in Los Angeles.

The Albuquerque Convention and Visitor's Bureau is actively pursuing the motor coach industry as a means of increasing occupancy during periods of low demand. This tactic, expansion of the state fairgrounds and continued soliciting of group functions should promote further growth for the lodging industry in Albuquerque. A study on expansion and/or relocation of Albuquerque's convention center is being conducted. Hotel operators are optimistic that expanding the city's convention facilities would allow Albuquerque to capture a greater share of state, regional and national conventions, which it currently cannot accommodate. An anticipated increase in the bed tax from 3 percent to approximately 5 percent would probably be used to fund the project.

The upscale lodging facilities are doing relatively well in the marketplace with an average annual occupancy of 69 percent and an average rate of approximately $47. Notable future additions to this supply are Winrock Tower's 135-room addition expected to open mid-1985; the Barcelona Court, a 164-room all-suite property; La Posada de Albuquerque, a 114-room historic renovation expected to open mid-1984; and the Continental Inn, a 150-room project expected to open in 1985.

The near future looks bright for the lodging industry with numerous projects in different stages of planning or development. Although some hotel operators are concerned that an increasing room supply may cause declines in citywide occupancies, the general climate within the Albuquerque lodging market is one of healthy competition. To compete with new properties, established facilities, ranging from budget motels to upscale hotels, are remodeling and adding amenities.

R. Scott Platte
Gary S. Schettl
Denver

From Anchorage

Area-wide occupancy in Anchorage was nearly 80 percent during 1983, and average room rates continued to show strong increases. As a result, there has been substantial interest in lodging development in the Anchorage area and several projects are proposed to begin during 1984.

A large portion of the proposed lodging development in Anchorage is expansion of existing facilities. Expansion plans have been announced for major hotels including the Anchorage Westward Hilton, the Sheraton Anchorage and the Sheffield Hotel. Most notable in new construction is the plan for an all-suite hotel in midtown Anchorage, one of the area's most desirable office and retail centers.

Office construction has slowed somewhat with the opening of some major buildings such as the Hunt Building, the Alaska USA Building and the ARCO Tower. Two office projects that will have a major impact in the coming years are SOHIO's headquarters building, now under construction, and the planned State of Alaska office building, which is expected to have in excess of 400,000 square feet.

Alaska's silver anniversary takes place in

1984, and numerous activities and events are planned throughout the year. The state has been aggressively promoting tourism worldwide, and the anniversary celebration should serve as an added incentive to potential tourists from the United States and abroad.

We expect 1984 to be a banner year in the Anchorage lodging industry. The opening of the new convention center, aggressive promotional campaigns, and increased tourism and commercial activity should strengthen the lodging market and growth in the area's economy.

Maxwell Campbell
Andrew N. Olsen
Anchorage

From Atlanta

Despite a 10.9 percent increase in room supply, citywide occupancy remained stable in 1983 compared with 1982. Average room rates, however, rose only 6.5 percent, a much smaller increase than the 12 percent one achieved in 1982.

Occupancy continued to vary considerably among the various sectors of the city. There was an increase in the airport and Six Flags areas primarily due to the increased airline and highway travel that has resulted from the continued national economic recovery.

Occupancies in the central business district declined for the second consecutive year. The ongoing construction at the Georgia World Congress Center, combined with the delayed impact of recession-period bookings, contributed to decreased convention activity in the downtown area.

Properties in Buckhead and the northern suburbs continued to report healthy occupancy levels in spite of a substantial increase in supply. This is attributed primarily to increased development and absorption of office space in these areas.

Hotel development activity throughout the metropolitan area continued at a rapid pace. In the airport sector, a 250-room Days Inn and a 109-room Red Roof Inn opened in 1983. Proposed projects include a 400-room Holiday Inn, which is under construction in conjunction with the 40,000-square-foot College Park Convention Center, a 230-unit Embassy Suite Hotel and a 70-suite Lagniappe Inn.

The expansion of the Georgia World Congress Center, which will effectively double its size, is the primary basis for several hotel projects under construction in the downtown area. Foremost of these projects is the 1,674-room Marriott Marquis, scheduled to open in spring 1985. Developed jointly by the Atlanta-based Portman Properties and the Marriott Corporation, this property will be the largest in the Southeast and should become Atlanta's premier convention hotel. Additional downtown developments include a 451-room Ritz Carlton Hotel, opened in early 1984, and the 250-room Hotel Ibis currently under construction.

Northwest Atlanta was the city's most active sector in terms of new development. A 128-room Marriott Courtyard, a 120-room Red Roof Inn and the 531-room Waverly Hotel opened during 1983. The Waverly, operated by the Stouffer Corporation, is among Atlanta's finest quality hotels and is primarily responsible for the sector's 14.9 percent increase in average room rate compared with 1982. The northwest sector's rapidly expanding inventory of office space has resulted in proposals for numerous other projects. A 203-suite Pickett Suite Hotel and a 170-suite Post Inn are under construction and will represent northwest Atlanta's first all-suite properties. Two additional all-suite properties (a 250-suite Embassy Suites and a 250-suite independent property) and a 250-room first-class hotel have also been proposed.

The opening of the 128-room Marriott Courtyard in early 1984 and the development of a 144-suite Brock Residence Inn marked the beginning of an anticipated boom in construction activity in the north central sector. Perhaps the most notable of the proposed projects are a 500-room Hyatt Hotel, planned for inclusion in Gerald Hines Interests' Ravinia project adjacent to Perimeter Mall, and a 400-room project under consideration by Portman-Barry Investments. Additional proposed developments include a 250-room hotel to be located within the Landmarks Concourse Office Park, a 300-room Holiday Inn and 100-room expansions to both the Guest Quarters-Perimeter Center and the Marriott-Perimeter Center.

Gwinnett County, Georgia's most rapidly growing county, has been the focal point of proposed hotel development activity in the city's northeastern sector. The legalization of liquor-by-the-drink in 1982, combined with extensive commercial, retail and residential development, has resulted in a number of new or proposed hotels. In addition to the opening of a 130-room LaQuinta Motor Inn, seven properties totaling 1,374 rooms have been proposed. These include a 250-room Marriott at Gwinnett Place Mall; a 128-room Marriott Courtyard and two 250-room first-class properties at Peachtree Corners; and a 250-room Howard Johnson's Hotel, 120-room Clocktower Inn and 126-room Skylight Inn on Interstate 85.

Activity in the Buckhead/Lenox Square area was highlighted by the opening of the 581-room Ritz Carlton-Buckhead in early 1984. Continued office and retail development, combined with the planned 1985 opening of the MARTA rapid rail terminal, has resulted in several other proposed projects including a 250-room luxury-oriented Sheraton, a 300-suite property to be located above the rail station and a 400-room first-class property adjacent to Lenox Square Mall.

With a total of 2,427 rooms opened during 1983 and early 1984 and an additional 7,557 under construction or proposed, Atlanta is undergoing its most ambitious hotel construction period to date. The extensive commercial, retail and office space development occurring in the city's suburbs and the expansion of the Georgia World Congress Center in downtown Atlanta are expected to maintain the substantial growth in lodging demand experienced by Atlanta in recent years.

R. Mark Woodworth
Henry B. Staley
Atlanta

From Atlantic City

In May 1978, Resorts International, Atlantic City's first casino/hotel, opened its doors to overwhelming crowds and record casino-win levels, prompting developer interest in all real estate zoned for casino/hotel development. Since that time, eight additional casino/hotels have been built: Caesar's Boardwalk Regency, Bally's Park Place, Harrah's Marina, Golden Nugget, Playboy, the Sands, the

Claridge and the Tropicana. These facilities represent approximately 4,800 guest rooms and 419,000 square feet of casino space.

For 1983, the citywide casino-win was $1.77 billion, representing an 18.6 percent increase over the 1982 total of $1.49 billion. Occupancy for 1983 was 85 percent, representing a 9 percent increase compared with the 1982 level of 78 percent. The average room rate for 1983 was $84, compared with $80 for 1982.

Atlantic City's second wave of casino/hotel development is well underway, approximately two years after the opening of the last casino/hotel. These projects will be larger than several of the existing properties and offer extensive meeting facilities, recreational amenities as well as bus-handling and parking facilities in order to attract more conventions, trade shows and other tour groups during the off-peak season, and day-trippers throughout the year.

If the projects proposed and under construction are completed, the competitive room supply would be increased some 133 percent to more than 11,200 guest rooms by 1987. The developments consist of six new casino/hotels, two casino/hotel expansions and the first two new hotels without casinos.

It is possible that a second convention facility may be needed to complement the increased room supply. Although city officials project that the existing Convention Hall will undergo a badly needed renovation and expansion before a new convention center is developed, this renovation could be a difficult and expensive undertaking. In addition, several of the proposed casino/hotel projects include plans for convention facilities capable of hosting large conventions. If these plans are carried out, this could have a negative impact on utilization of an additional convention center. The focus of much of the development activity in Atlantic City is to provide this city with the ability to compete effectively with other major convention markets and resort areas on a year-round basis.

Peter R. Tyson
Luis C. Acosta
Philadelphia

From Austin

The Austin lodging industry remained strong in 1983. Estimated occupancy for the year was 75.5, down less than 1 percent from its favorable 1982 showing. The growth of Austin's high-technology industries was strong is 1983. With Micro Electronics and Computer Technology Corp. (MCC) announcing its decision to headquarter in Austin, business activity has increased. Office developments are materializing in all sectors of the city to meet the need for space. Downtown, the major activity appears to be centered on Congress Avenue, much as it has been in the past. The northwestern metropolitan area is rapidly becoming a very exclusive residential area as well as a major site for suburban office space.

This general economic growth has led to an expanded need for lodging accommodations, and many additions have been made to the city's supply of hotels. Properties that opened in 1983 and early 1984 include:

- A 319-room Wyndham in southeastern Austin.
- A 261-room Granada Royale opened in March 1984 in northern Austin.
- A 92-room Brookhollow Inn opened in 1983 in northwestern Austin.
- A 186-room Embassy Motor Inn opened in 1983 in southeastern Austin.
- A 115-room Texian Inn opened in northern Austin in fall 1983.
- A 130-room La Quinta opened in southeastern Austin in 1983.
- Two 40-room Quarters Motor Inns opened, one in northern Austin and another in southeastern Austin.

To meet the area's projected lodging needs, several hotel development projects that are under construction include:

- A 350-room La Mansion in northern Austin. This is the first La Mansion to be located outside of San Antonio.
- A 254-room Quality Royale.
- A 200-room Holiday Inn Northwest.
- A 190-room Howard Johnson's in southern Austin.
- A 100-room Quality Inn Executel.

In addition to the rooms under construction, there is speculation about several other hotel proposals in the city.

The city is projected to maintain its present growth rate as high-technology industries continue to locate here. Accompanying this will be an expansion of the lodging industry.

Lorelei Mayer
Houston

From Baltimore

The Baltimore lodging industry continued to perform well during 1983. Area-wide occupancy levels rose to 67 percent, a 3 percent increase over the preceding year. The average room rate increased almost 10 percent to $63.

Revitalization of Baltimore's Inner Harbor has integrated a number of elements that have contributed to Baltimore's growth in the lodging sector. The Rouse Company's Harborplace Pavilions, the National Aquarium and a host of other attractions continue to draw in excess of 19 million visitors annually. Another destination tourist attraction, the Six Flags Power Plant, is scheduled to open in spring 1985 as a new urban entertainment attraction. The 156,000-square-foot Baltimore Convention Center is approaching full utilization and future expansion is being considered. New commercial office development is experiencing growth well ahead of historical levels. Overall, downtown development has created a larger and more diverse base of lodging demand.

To meet the needs of a growing lodging market, hotel development has expanded and stratified. Eight hotels, recently opened or under construction, will add more than 1,800 rooms during the next three years. By 1986, these hotels will nearly double the existing downtown supply of approximately 1,900 guest rooms. The Brookshire Hotel, a 91-suite luxury property; and a 200-room Econo Lodge recently opened. Another luxury property, the 105-suite Peabody Court, is scheduled for completion in 1984. A 260-room Days Inn is also projected to open during 1984. The Tremont Plaza, an apartment conversion, will phase in 235 rooms by the end of 1985. A 350-room Sheraton Hotel and a 360-room Howard Johnson's Plaza are also expected to be completed during 1985. In 1986, the Murdock Development Company plans to open a 200-room luxury hotel as part of a mixed-use development project on the Inner Harbor. In addition to these eight hotels, projects representing approximately 1,600 rooms are proposed.

Pockets of commercial development emerging along Interstate 695 continue to stimulate lodging development in the metropolitan area. A 193-room Econo Lodge, located in Towson, is scheduled to open in fall 1984. Further north in the

Hunt Valley business community, a 224-suite Granada Hometel is currently under construction.

As new hotels open over the next few years, citywide occupancy levels are expected to decline and rate competition may heighten. Despite the anticipated decline in occupancies, the overall demand for hotel rooms is expected to grow. The combination of destination tourist attractions, the possible expansion of the convention center, an expanding office market and the ongoing revitalization of downtown Baltimore should lead to significant increases in demand.

W. Wesley Ayre
Thomas P. Ives
Washington, D.C.

From Beaumont/Port Arthur/Orange

Although the central business districts of Beaumont, Port Arthur and Orange are less than 30 miles apart, much of their industry is interrelated and, collectively, these three cities in Southeastern Texas are known as the Golden Triangle.

Occupancy in the Golden Triangle for 1983 was approximately 72 percent, down from 78 percent in 1982. The decrease in occupancy was attributable to the ailing petrochemical industry and its impact on lodging demand in the Golden Triangle and to an increased room supply.

The average rate in the Golden Triangle increased nearly 2 percent from $35.98 in 1982 to $36.65 in 1983. Area lodging properties did not cut rates to maintain occupancy as was common in other areas in Texas.

The petroleum industry and its support services such as ship yards, oil field equipment and metal fabricating plants are major employers in the area. Area officials have attempted to attract technical industries to the area to diversify the economic base. A new tourist attraction in Orange, the Fanta-Sea Water Park offering approximately 20 water-related attractions on 62 acres, is expected to open late in the summer of 1984.

Anticipated growth in the area's lodging demand and commercial activity has stimulated development in new lodging facilities. The following projects recently have opened or are in various stages of construction:

- The 148-room Relay Station Motel opened in March 1983 in Beaumont.
- The 152-room Best Western Beaumont Inn opened in May 1983.
- The 124-room Motel 6 in Port Arthur opened in September 1983.
- The 107-room Ridgewood Hotel in Beaumont was renovated and reopened in October 1983.
- The 126-room Motel 6 in Orange was opened in January 1984.
- The 254-room Beaumont Plaza Holiday Inn opened in February 1984.
- The 120-room Jefferson Inn opened in February 1984 in Beaumont.
- The 80-room Super 8 Motel in Beaumont opened in May 1984.
- The 164-room Holiday Inn in Port Arthur opened in June 1984.
- The 280-room Beaumont Hilton Inn now under construction is scheduled to open in November 1984.

Karen N. Peterson
Houston

From Charleston

The lodging industry in Charleston remained relatively stable during 1983, achieving an aggregate occupancy in the upper 60 percent range with an increase in average room rates of approximately 8 percent during the year.

Tourism continues to be one of the largest industries in Charleston. In 1983, approximately 2.3 million people visited the area attractions, including downtown Charleston's Historic District, the International Spoleto Festival U.S.A., historic forts and monuments and world famous gardens. Visitors to the Charleston area spent an estimated $460 million in 1983 with 55 percent of these expenditures allocated to restaurant and lodging facilities.

The Charleston area offers a variety of lodging accommodations including inns, hotels, motels and resorts. The downtown Historic District, with its 18th- and 19th-century architecture, is characterized by small, European-style luxury inns. The inns comprise 321 rooms among 12 properties, which range in size from 2 to 72 rooms. Charleston Place, a $60 million mixed-use development, is scheduled to begin construction in mid-1984 and will include 50,000 square feet of retail space and a 448-room Omni-Dunfey Hotel.

North Charleston remains the most rapidly growing sector of the city. Hotels and motels dominate this sector, which caters predominately to the commercial demand generated by the expanding industrial complexes and the military installations. Construction on a new $62 million commercial air terminal is scheduled for completion in early 1985. The 300-room Charleston Marriott opened in July 1983 and the hotel's 6,100-square-foot ballroom is the largest in Charleston.

Several prestigious golf and beach resorts located on the surrounding coastal islands of Kiawah Island, Seabrook Island and Isle of Palms are attracting increasing levels of tourist and group-related demand.

The steady growth in lodging supply and demand is expected to continue in both Charleston, North Charleston and the surrounding coastal resorts due to an expanding manufacturing base and a strong tourist market.

R. Mark Woodworth
Atlanta

From Charlotte

The demand for overnight lodging accommodations continued to increase at a strong rate throughout 1983 in all areas of Charlotte, particularly the Interstate 77-South corridor. This growth was attributable to the ongoing opening of new businesses in the city as well as the expansion of existing companies. The accessibility afforded Charlotte by the presence of two major interstate highways and the newly expanded Douglas Municipal Airport, which reopened in late 1982, has resulted in the continued emergence of the city as the transportation and economic hub of the Carolinas.

New hotel construction has been most prevalent in the southern sectors of the city near the SouthPark Mall and along the Interstate 77-South corridor. A 136-unit Guest Quarters Hotel and a 200-room Park Hotel are both currently under construction in SouthPark and are scheduled to

open in late 1984. A 300-room Marriott Hotel opened in late 1983 at the intersection of Tyvola Road and Interstate 77-South and immediately enjoyed wide market acceptance. Two other properties also under construction at this interchange are a 60-unit Brock Residence Inn and a 182-unit Royce Hotel, an all-suite property being developed jointly by Servico and a local Charlotte entrepreneur.

Other developments along the Interstate 77 corridor are primarily economy facilities and include a 50-room expansion to the Crickett Inn located at the Nations Ford Road interchange, a 120-room Comfort Inn located at the State Highway 49 interchange and a 100-room independent property currently under construction on Woodlawn Road.

In downtown Charlotte, the 430-room Marriott-City Center and the 292-room expansion to the Adam's Mark Hotel (formerly the Sheraton Center) opened in early 1984. These two projects, combined with the recent incorporation and enlargement of the Charlotte Convention and Visitors Bureau, should significantly increase the level of group meeting demand in the city. If the new Charlotte Coliseum is built downtown, as is currently contemplated, further demand for additional lodging facilities would be created.

The Interstate 85-North sector of Charlotte appears to be the next significant growth area of the city. The University Research Park, near the University of North Carolina at Charlotte, has matured and currently houses several high-technology companies. This has stimulated the interest of several development groups. While no projects have been firmly announced to date, it is likely that new hotel construction will occur here in the near term.

Overall, Charlotte continues to be a promising market area for lodging development. While significant new construction continues to occur in the downtown and southern sectors, the prospects for growth in commercial and group-related lodging demand should preclude Charlotte from becoming an overbuilt lodging market beyond the near future.

William J. Spears
Charlotte

R. Mark Woodworth
Atlanta

From Chicago

In 1983, the Chicago lodging industry began to make noticeable progress toward recovering from the most recent recession. Area market occupancy increased slightly to 62.2 percent, up from the 1982 figure of just over 61 percent. The trend of market stratification has continued in the Chicago metropolitan area with much of the new development consisting of economy and all-suite properties.

Increases in occupancy for 1983 were greatest in the O'Hare Airport area, with an increase of approximately 7.7 percent to 64.6 percent. Properties in other suburban areas posted a 2 percent gain in occupancy to 62.6 percent. Levels for downtown properties remained almost unchanged at approximately 61.4 percent.

Due to increased competition among hotels and the easing of inflation during 1983, overall increases in the average room rate were modest—approximately 3.5 percent higher than 1982 rates. Downtown properties showed the most gain from 1982 with an approximate 5 percent increase. Rate competition was strongest among the O'Hare properties with an increase of only 1.5 percent.

There are currently no new properties under construction in the downtown area, yet several are proposed. One of the more likely additions is a proposed 478-room luxury hotel that would be part of the 900 North Michigan Avenue project, a mixed-use development. Site demolition and clearing are scheduled for mid-1984. Another proposed lodging facility is a 647-room Swisshotel in the Illinois Center mixed-use complex. Finally, although the heavily publicized North Loop Redevelopment Project is still being negotiated, it now appears that the hotel portion could break ground during the first few months of 1935. It has been reported that all three major partners to this joint venture have agreed to terms. A minimum of 700 rooms are planned.

The renovation of two existing downtown properties will take place in 1984. A joint venture between the Hilton Hotel Corporation, Charles Shaw Realty Company and the Prudential Insurance Company has begun the $150-million renovation of the Conrad Hilton on South Michigan Avenue. After renovation, the hotel will have 1,620 guest rooms instead of the current 2,270 rooms. The Hayman Company will soon be starting renovation of the Croydon Hotel, located on North Rush Street. Its 420 rooms will be reduced to 330 suites, two-thirds of which will have full kitchens. The rehabilitated Croyden will be marketed toward the long-term corporate user.

There are still plans to expand McCormick Place, already the largest convention center in the U.S. An expansion of 550,000 to 770,000 square feet is planned, although financing has not been arranged. Another major development is the Chicago World's Fair, scheduled for 1992. The fair is expected to generate room-nights during construction of the site and the fair itself. The site for the fair is still undecided.

The O'Hare lodging market continues to be one of the strongest in the Chicago area. It was the least affected by the national recession. Three properties have recently undergone renovation: the Hyatt Regency O'Hare, Chicago Marriott O'Hare and the Sheraton International. The 535-room Westin O'Hare opened in December 1983 and has been successful in its first few months of operation. This is Westin's first airport property.

Most of the new hotel construction is taking place in the suburban areas. A 203-room Holiday Inn is under construction in the southern suburb of Matteson, while a 120-room Marriott Courtyard is being built in Northbrook. The 209-room Granada Royale Hometel in Schaumburg opened in January 1984. It is the first all-suite property in the area and has been well received in a somewhat overbuilt hotel market. Several all-suite developments are being proposed in other suburban areas.

The western and northwestern suburban lodging markets continue to follow the recent growth in office development, especially in the Downers Grove and Oak Brook areas. A 90-room addition to the Drake-Oak Brook is planned and will open in spring 1985. The majority of activity in these suburban areas is concentrated in the economy lodging sector, with several properties recently completed or under construction:

- 154-room La Quinta in Oak Brook Terrace (under construction).
- 130-room La Quinta in Schaumburg.
- 125-room Drury Inn in Schaumburg.

- Two 136-room Red Roof Inns in Downers Grove and Arlington Heights (under construction).
- 123-room Dillon Inn in Downers Grove (under construction).
- 108-room Skylight Inn in Naperville (planned).

Holiday Inns, Inc. is aggressively seeking prime suburban sites for Hampton Inn Hotels, its new economy property.

In 1983, the Chicago lodging market has shown the first signs of a return to prerecession levels of activity with occupancies increasing in all markets. The continued segmentation of the lodging industry in Chicago will make for a highly competitive setting in the near future.

Daniel W. Daniele
Joel Schneider
Chicago

From Cleveland

Cleveland area properties ended 1983 with a 5.4 percent increase in occupancy compared with 1982 levels. The average room rate was up to $42. This improvement picked up momentum in the fall of 1983 and has continued into 1984 with occupancy for the first two months up 17 percent and average rate up 11.5 percent over levels reported for the same period in 1983. Most sections of the Cleveland area began to benefit from the economic recovery, and profits improved; however, some of the more industrial areas did not improve as much or as quickly as the commercial ones.

As reported in last year's comment, development was limited to economy properties. The shortage of hotel rooms in relation to the amount of convention space continues to be a problem in the central business district. The city and the Cleveland Convention Bureau have raised $13 million to improve the center so that it is more competitive with other regional facilities. This and the construction of approximately 2.5 million square feet of new office space and other mixed-use real estate development has spurred further interest in new hotel development for downtown Cleveland. There is also significant interest in developing properties such as all-suite hotels in suburban areas. The national economic recovery and the improved image of the city should lead to more hotel development.

Michael L. Sturges
Jay H. Lewis
Cleveland

From Colorado Springs

After an approximate nine-year lull in hotel construction, the city is on the verge of a building boom. Twenty-four hotel or motel projects are presently in various stages of planning or development. Although not all of the projects are expected to come to fruition, the potential exists for Colorado Springs to almost double its present supply of lodging rooms by 1986.

Much of this speculative development is being fueled by the construction of the Consolidated Space Operations Center and the migration of high-technology firms to the Colorado Springs area.

During the past several years, Colorado Springs' economy has become more diverse and stable and, due to favorable development opportunities, has experienced significant growth in the manufacturing, finance, insurance and real estate sectors.

Overall occupancy for the hotel and motel properties in the Colorado Springs area rose to approximately 67 percent in 1983, a 3 percent increase compared with 1982. Although citywide occupancy is expected to drop as room additions and new properties open, it should stabilize, then increase when the Consolidated Space Operations Center becomes fully operational in several years. Some of the hotel and motel projects in different stages of planning or development are:

- The Drury Inn; 124 rooms opened in mid-1984.
- Budget West Inn; 64-room expansion opened in mid-1984.
- Econo Lodge; 74 rooms and 24 apartments opened in mid-1984.
- Hilton Inn; 96-room expansion opened recently.
- Granada Royale Hometel; 205 rooms opening in October 1984.
- Brock Residence Inn; 96 units scheduled to open in August 1984.
- The Clarion Hotel; 200-room expansion scheduled to open in early 1985.
- The Cheyenne Mountain Inn; 250 rooms scheduled to open 1986.
- Ramada Inn North; 200-room addition scheduled to open in 1986.
- The Cliff House; 110-room restoration scheduled to open in mid-1985.

Although slow to moderate absorption of the additional room supply is expected, there is concern that the market might become overbuilt depending on the actual number of projects that obtain financing and are developed. Many of the upper-scale projects are designed with ample amounts of meeting space, but because they are spread throughout the city, there is no convention hub. Since Colorado Springs does not have a major convention complex, it is limited to the type and size of conventions the city can attract.

Despite the anticipated building boom, the future of the lodging industry in Colorado Springs looks bright. Tourism will continue to be a vital part of Colorado Springs' economy. This and the city's probusiness climate, readily available utilities, proximity to Denver and the high quality of life are expected to ensure continued economic growth.

R. Scott Platte
Gary S. Schettl
Denver

From Columbus

The lodging industry in Columbus, Ohio showed strong growth in 1983, achieving a citywide occupancy of approximately 67 percent—3 percentage points above the 1982 level of 64 percent. Rooms sales rose about 12.8 percent, reflecting an estimated 4 percent increase in room sales per occupied room as well as the increase in occupancy.

The strongest growth in lodging demand continues to occur in the northern Columbus lodging market where occupancy for 1983 was approximately 70 percent, an increase of 5 percentage points over 1982. Total lodging demand in this market increased at an annual growth rate of nearly 13 percent. Room sales per occupied room for northern Columbus approximated $38.75, which represented a 4.5 percent increase from 1982's average. While there were no additions to the lodging supply during 1983,

several projects are scheduled to open in 1984. These include three all-suite properties representing a total of approximately 400 new rooms. In addition to these new lodging facilities, several existing hotels are considering room additions and/or extensive renovation.

Downtown Columbus finished 1983 with an annual occupancy of approximately 66 percent—about 7 points above the 1982 occupancy rate of 59 percent. Room sales per occupied room, however, remained virtually unchanged.

New developments in 1983 included the opening of the 401-room 22-story Hyatt at Capitol Square, the second Hyatt Hotel in downtown Columbus. A new economy lodging chain is developing its first property by converting a former warehouse into the 163-room Victorian Inn. Work has also begun on the complete renovation of the Southern Hotel, located at the corner of Main and South Streets. When completed, it will be a 196-room first-class lodging facility offering mid-priced rooms.

Work is scheduled to begin on the Pickett Hotel in early 1984. This 194-room all-suite property will be built adjacent to the new one million-square-foot Huntington Center office building presently under construction. This hotel will be the first property of this new Columbus-based chain. During 1983 several other hotels were proposed for the downtown area, including a 250- to 300-room hotel to be located adjacent to Veterans Memorial Auditorium. At this time, however, no other additions to the downtown market are definite.

The other lodging markets in Columbus also experienced growth in demand and increased occupancies during 1983, although at a rate far below that of the northern and downtown lodging markets.

The outlook for the Columbus lodging industry remains very positive. Continuing real estate development in both the northern and downtown markets, combined with a growing convention demand base, is expected to lead to an increased or stable demand for lodging accommodations in 1984. Because of the expanding supply of lodging facilities, occupancies are expected to decline in 1984. Despite the projected "softness" of the market, Columbus will maintain its status as the leader of the three major Ohio lodging markets and will remain viable for further lodging development opportunities.

Peter J. Weien
Cleveland

From Corpus Christi

The national recession's negative impact on discretionary and corporate travel in 1983 affected the Corpus Christi lodging industry, which depends to a great extent on tourism and the oil industry. Occupancy in Corpus Christi was 51 percent, a decrease of 20 percent from 1982's occupancy of 71 percent. The average rate decreased from $41.80 to $41.30 as operators postponed scheduled increases because of decreasing occupancy.

The city's new convention center is beginning to show a large increase in future bookings as the 350-room Marriott and 474-room Hershey Hotels move toward completion. Because of the new hotels and increased meeting space, Corpus Christi is now expected to attract major conventions that have not been able to meet in the city. The Marriott Hotel is due to open in June 1984, and the Hershey Hotel in January 1985.

New hotel development is occurring in several areas. These include:

- A Drury Inn along the I-37 corridor opened in spring 1984.
- A Granada Royale Hometel on South Padre Island Drive and Everhart is under construction.
- A Days Inn at I-37 and Isom is under construction.

Corpus Christi's economy and, therefore, lodging industry are beginning to recover from the recession; however, recovery will be hindered by the slower recovery of the oil and gas industry. Lodging facilities will also experience slow improvements in occupancy due to the current additions to the city's room supply.

Joanne Scoville
Houston

From Dallas

The Dallas lodging industry continued to grow during 1983 as indicated by a 15 percent increase in demand for lodging accommodations. Despite this growth, citywide average annual occupancies fell approximately 4 percentage points from 64 percent in 1982 to 60 percent in 1983 as a result of a 24 percent increase to the city's room supply.

Dallas
(New Properties)

Area	Property	Rooms	Status*
Downtown	Ambassador Park (renovation)	121	O
	Sheraton Dallas (renovation)	545	O
	Crescent Hotel	228	U/C
	Olympic Hotel of Dallas	256	U/C
	Convention Center Hotel	1,000	P
North Dallas	The Westin-Galleria Dallas	441	O
	Registry Hotel	570	O
	Granada Royale Hometel	240	U/C
	Garden Inn Motel	120	U/C
Market Center and Stemmons Freeway Corridor	Holiday Inn-Brookhollow	356	O
	Drury Inn	130	O
	Regent Hotel (renovation)	350	O
	Wyndham	542	O
	Loew's Anatole (expansion)	720	Opened in 1984
D/FW Regional Airport and Las Colinas	D/FW Hilton Inn and Executive Conference Center	408	O
	Holiday Inn D/FW South (expansion)	410	O
	Preference Inn	144	O
	Rodeway Inn-Irving	142	U/C
	Granada Royale-Valley View and 183	344	P
	Las Colinas Conference Center	300	P
	Scanticon Executive Conference Center	300	P
	Hyatt Regency Freeport	800	P

*P – Planned; O – Open; U/C – Under Construction

The Market Center and North Central Expressway sectors were impacted the most as occupancy decreased 11 and 13 percent respectively. In the North Central Expressway sector this can be attributed, in part, to competition from recent additions to the room supply in the North Dallas sector. Occupancy in the Market Center sector also decreased as a result of these additions as well as the opening of the 542-room Wyndham Hotel within the Market Center area.

The fierce competition stimulated by additions to room supply led to rate discounting, with the average room rate in Dallas dropping approximately 3 percent from $37.60 in 1982 to $36.42 in 1983. It is expected that average room rates will begin to increase during 1984 as new rooms continue to be absorbed by lodging demand.

The chart on the previous page summarizes recently opened, under-construction and planned additions to the Dallas lodging supply.

Lodging demand in Dallas is expected to show continued growth through 1984. For the second consecutive year, Dallas ranks as the nation's strongest market in both new office construction and office space absorption. Approximately 9.5 million square feet of office space was absorbed in Dallas during 1983, which represents a 45 percent increase over 1982 levels. Approximately 15.7 million square feet of new office space was added to the Dallas market in 1983, and an additional 11.5 million square feet is anticipated to be completed in 1984.

In 1984, development activity for the central business district includes 3.5 million square feet of office space under construction, the opening of a 200,000-square-foot addition to the Dallas Convention Center and construction of the Dallas Concert Hall in the Arts District. Two hotels are under construction including the 228-room Crescent Hotel, part of an office and retail development, and the 256-room Olympic Hotel of Dallas, part of Turtle Creek Place.

Activity within the Market Center area includes the addition of the Infomart during fall 1984. This 1.5 million-square-foot center is designed to serve both buyers and sellers of information processing products and is expected to bring an additional 350,000 prospective buyers to the Market Center Complex annually.

The area that includes the Dallas/Fort Worth Regional Airport and Las Colinas, a 12,000-acre development conceived by the Southland Corporation, is expected to be one of the strongest growth areas in 1984. Over five million square feet of office space is occupied in Las Colinas, with an additional million square feet under construction. Another major development in the Dallas/Fort Worth Regional Airport area is the Valley Ranch, which broke ground in early 1984. This 2,400-acre multi-use development is to include the headquarters and training facilities for the Dallas Cowboys.

North Dallas, including the LBJ Freeway Corridor, currently has the largest concentration of office space outside of the central business district. Growth in this sector is also expected to continue.

Reflecting the growth in the Dallas market, 1984 year-to-date occupancies are above comparable 1983 figures. As Dallas's economy continues to grow and the large number of additions to supply are absorbed, occupancy should increase 60 to 65 percent with significant increases in average rates.

Feliz Jarvis
Timothy A. Marvin
Dallas

From Denver

In reaction to the recession and the decline in energy-related business, the Denver metropolitan area has diversified its economy and resources. The Denver lodging industry was characterized by increased competition among properties for available demand and by continued scrutiny of room rates. Overall, Denver experienced an increase in occupancy from 60 percent in 1982 to 61.6 percent in 1983.

Denver's central business district has continued to be the area most significantly affected by the reduction in gas and oil exploration and by the increase in supply of guest rooms. In addition to the Marriott Center City Hotel (with 622 rooms opening in the last two years), the 430-room Westin Hotel is scheduled to open in late 1984. This hotel is part of the Tabor Center mixed-use development, which is an extension of the revitalization of the 16th Street Mall. The oversupply of office space is slowly being absorbed during this economic transition.

The size and location of a convention center remains an issue for the City of Denver to resolve in its quest to ensure the city's position in the highly competitive convention market. The realization of a convention center would increase the city's convention capacity and would stengthen the downtown hotel market.

Denver's continued growth in tourism, high technology and defense-related industry is visible in the area southeast of the city, particularly in Arapahoe County, which was one of the 10 fastest growing counties in the United States between 1980 and 1983. During 1983, Denver's first Doubletree Hotel (254 rooms) and the Ramada Renaissance (200 rooms) opened. In 1984, the Sheraton Denver Technological Center has completed a 320-room addition, and the Rodeway Inn was expanded and converted to the Heritage Inn with a total of 195 rooms. Currently under construction is a 266-room Ramada Hotel and a 450-room Hyatt Regency (Denver's first Hyatt). Several other proposed hotel projects are being evaluated at this time, and this area will continue to be Denver's major growth center.

In view of this development in the southeast, the bordering cities of Littleton, Englewood and Aurora are undergoing revitalization of their downtown areas. The plans for mixed-use developments propose hotels, conference centers, specialty retail, theme restaurants, office complexes and residential housing in landscaped settings.

Hotel development is also active in the western and southwestern sectors of the Denver metropolitan area. These projects include a 245-room Sheraton, opened in 1983, and a 193-room Holiday Inn under construction and scheduled for completion in late 1984. The first Scanticon Executive Conference Center and Hotel in Denver is proposed for the Inverness Business Park. Several other properties are in the preliminary stages of development.

In anticipation of the proposed expansion to the busy Stapleton International Airport, hotel activity in this area has increased recently. A 209-room Granada Royale Hometel is scheduled to open in late 1984. Three other first-class hotels now in the planning stages are a 408-room Stouffer Hotel, a 400-room Marriott

Hotel and a Ramada Renaissance. Associated Inns and Restaurant Company of America (AIRCOA) has implemented its luxury hotel concept (Clarion hotels) through conversion of a Stouffer Hotel at the airport to a Clarion and through the Brown Palace Hotel in downtown Denver. The airport area is also being considered by several economy hotel companies.

Denver is beginning to experience an influx of upscale economy lines of hotels. This is seen by the introduction of Viscount Hotels by Trusthouse Forte of London, Hampton Inns by Holiday Inns, Venture Inns from the United Kingdom and Relax Inns from Canada.

In view of the continued commercial revitalization of downtown and surrounding suburban areas and the development of office parks, the future growth and performances of Denver area hotels are expected to continue to improve throughout the coming years. The greatest increase in room supply is projected for the outlying areas.

Kaye Newman
Denver

From Des Moines

Occupancy and average rates in Des Moines continued to increase throughout 1983 as the 600 hotel rooms added in 1980 and 1981 were absorbed by the moderate and steady growth in demand.

The 1983 citywide occupancy in Des Moines increased 8 percent over the 1982 level to 54 percent. Average rates increased approximately 2 percent to $36.50. The airport area had the highest occupancy for the city in 1983—60 percent. Downtown Des Moines continued to achieve the highest average rate in the city—$38.25.

Developments in Des Moines include the new 145,000-square-foot convention center under construction and scheduled for completion by July 1985. In addition, a World Trade Center of over one million square feet and a 270-room hotel are proposed adjacent to the convention center. The trade center would have approximately 500,000 square feet of exhibit space on 10 levels and would be linked to the expanding downtown skywalk system. The Veterans Memorial Auditorium is undergoing a renovation in an effort to upgrade the city's existing convention facilities.

The two-block-long Kaleidoscope Mall, under construction downtown, will link the two major downtown retail stores, J.C. Penney and Yonkers.

Occupancies and average rates in Des Moines should continue to increase in 1984 with the continued economic recovery and expanding commercial developments.

Jeffrey K. Marvel
Paul D. Enggaard
Kansas City

From Detroit

Michigan's economy improved significantly during 1983 with the U.S. automotive industry's long-awaited recovery, and 1984 is expected to be a strong recovery year as well—the "big three" automakers reported record earnings for the first quarter of 1984. Detroit hotel occupancy began to increase in April 1983, and the upward trend is continuing. Year-end occupancy in southeastern Michigan was 68 percent, almost 7 percent higher than that reported for 1982.

Metropolitan Airport properties achieved the highest 1983 occupancy at 81.5 percent. The greatest recovery was noted in highway properties, with occupancy 16.2 percent above the 1982 level. For the first quarter of 1984, suburban properties are reporting the strongest gains; the 63 percent occupancy level achieved from January to March 1984 is 19.5 percent (10.3 points) higher than for the same period in 1983. This increase has generated development interest in the suburbs of Southfield, Farmington Hills, Troy and Dearborn.

Detroit's room rates did not increase materially during 1983. The $44.78 average rate achieved during 1983 was only 1.1 percent higher than the rate in 1982; however, rate sensitivity is expected to lessen somewhat during 1984. First quarter 1984 results show a 4.6 percent increase in Detroit's average rate compared to the same period in 1983. Double occupancy is declining in suburban and highway properties, providing further indication of decreasing price sensitivity and reflecting real-dollar rate increases in room rates. Many proposed lodging projects that had trouble winning support due to the projected room rates are meriting a second look as rates, as well as occupancies, are beginning to increase statewide.

The only addition to the supply of first-class guest rooms in 1983 was the 390-room addition to the Amway Grand Plaza Hotel in Grand Rapids. In response to the price sensitivity of the recent recession, developers built economy lodging facilities in 1983. Projects under construction include a 260-room Omni International Hotel in downtown Detroit, a 250-room Hilton in Livonia and a 156-room Drury Inn in Troy. Numerous lodging properties are proposed for development in 1984 and 1985. Development potential appears to be stronger in 1984, and it is likely that the Detroit area will experience a major new phase of construction in the mid-1980s.

Sarah W. Boulos
Detroit

From Fort Worth

Fort Worth area hotels showed increases in both occupancies and average room rates during 1983. Occupancies in area hotels increased approximately 3 percent, from 60 percent in 1982 to 62 percent in 1983, while average rates grew 5 percent from $40 to $42. This is attributable to moderate growth in the Fort Worth area, while the number of rooms available remained relatively stable. The only addition to the room supply in Fort Worth during 1983 was a 120-room Brock Residence Inn located near the central business district.

Increased occupancies and average rates are again stimulating hotel development. New properties include:

- A 52-room Stockyard Hotel that opened in early 1984. This property is located in the midst of Fort Worth's revitalized Stockyard District.
- A 115-room Texian Inn under construction in northeastern Fort Worth and expected to open during 1984.
- A 217-room Holiday Inn under construction at Interstate 35 and Loop 820 South.

• A 100-room Apple Inn located in southern Fort Worth and scheduled to open in 1984.

In general, development in Fort Worth is expected to continue, with the focus on renovation of the central business district and increased development in the suburbs. Occupancies and average rates should also continue to increase at moderate rates through 1984.

Feliz Jarvis
Timothy A. Marvin
Dallas

From Galveston

The hotel industry in Galveston depends heavily on tourist dollars and the weather that brings them to the beach. In 1983, Galveston faced problems from both of these usually supportive factors. The economic recession continued to have a negative impact on discretionary travel in 1983. The financial difficulties suffered by Galveston lodging operators were compounded in August when Hurricane Alicia struck the island. Hotel operators also faced increased competition from island condominium owners as the popularity of condominium rental pools grew during 1983. All of these factors made 1983 a difficult year for Galveston hotel operators.

The year-end citywide occupancy was estimated at 62 percent, approximately a 4 point decrease from 1982's occupancy level. During the summer months, occupancy was reported at approximately 72 percent, down 6 points from the same period in 1982. This "in-season" decline can be attributed to both the decrease in the number of tourists visiting the island and the clean-up and repair necessary after the hurricane. During the winter months, occupancy was approximately 50 percent, an estimated increase of 3 points over the same period in 1982.

The average room rate on the island was approximately $43.75, down slightly from the figure of approximately $44 achieved in 1982. The decrease in tourists to the island helped prevent the average rate from registering any increase due to inflation.

Commercial activity related to the University of Texas Medical Branch and the Port of Galveston continued to remain steady in 1983. Continued development of the historic Strand district helped bring in tourists during the winter months. It is Galveston's hope that a vital Strand district with its historic attractions, including the restored tall ship Elissa in the port just a few blocks away, will help make Galveston a year-round destination.

Hotel development in Galveston during 1983 was primarily along the city's sea wall. Projects opened during 1983 and 1984 included:

• The 112-room Tremont Hotel in the city's historic Strand district.

• The 185-room Holiday Inn on the Fort Crockett Bunker along the sea wall.

• The 244-room San Luis on the Fort Crockett Bunker.

• A 106-room Econo Lodge opened one block off the sea wall on 61st Street.

A 150-room Ramada Inn is also under construction. Other rumored properties in Galveston represent a potential for an additional 550 rooms by 1986.

As the economy stabilizes and discretionary travel increases, the Galveston lodging industry should witness growth in 1984. A key factor in attaining desired occupancy levels on the island will be how well the additional hotel rooms and condominium rental pool units are absorbed into the market.

Randall T. Hodde
Houston

From Greensboro/High Point/Winston-Salem

Greensboro, High Point and Winston-Salem, the three cities comprising North Carolina's Piedmont Triad, were characterized by significant hotel development activity in 1983.

Greensboro continued to be the most rapidly growing of the three. The city's most significant hotel development is the 285-room Sheraton Greensboro Hotel currently under construction in the central business district. The property, part of an ongoing downtown redevelopment effort, will probably become one of Greensboro's highest-quality facilities catering to the less price-sensitive commercial travelers and corporate groups. In 1983 and early 1984, a 300-room Marriott opened at the Regional Airport, and a 109-room Red Roof Inn and 124-room Comfort Inn opened on Interstate 40 in the southwestern sector of the city. Additionally, the Holiday Inn-Four Seasons, North Carolina's largest hotel at 522-rooms, is planning a 185-room expansion.

Development activity in High Point was highlighted by the opening of the 253-room Radisson Hotel in the downtown area. High Point is the site of the semiannual Southern Furniture Market, which attracts buyers from all parts of the nation. As a result, the city's economy is heavily influenced by the more than 85 furniture manufacturers located in the vicinity.

Winston-Salem, home of R.J. Reynolds Industries, Consolidated Foods Corporation's Hanes Group, Piedmont Aviation and Wachovia Corporation, also experienced major hotel development activity in 1983 with a 300-room Stouffer Hotel under construction adjacent to M.C. Benton Convention Center in the downtown area.

Although the Triad's economy is still heavily influenced by the tobacco, furniture and textile industries, the area's employment base continues to diversify with substantial growth realized in the trade, service and high-technology industries. City officials and hotel operators are anticipating continued growth in lodging demand over the next several years concurrent with an expanding economy; however, the numerous hotels constructed in 1983 and 1984 are likely to weaken the area's occupancy level and discourage further development activity in the short term.

William J. Spears
Charlotte

Henry B. Staley
Atlanta

From Hartford

The completion of three major office buildings—the 997,000-square-foot City Place, the 500,000-square-foot One State Street and the 616,000-square-foot One Commercial Plaza—during 1983 has

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strengthened Hartford's historic identity as a strong insurance and finance center in the Northeast. The unemployment rate in the Hartford labor market area has dropped to 5.6 percent, considerably less than the national average. The Hartford Civic Center, although slow to develop since its opening in 1975, reported a slight increase in attendance during 1983 compared with 1982.

Although Hartford's lodging market suffered an overbuilt situation during 1982 with the opening of the renovated 410-room Parkview Hilton and the 305-room Farmington Marriott, occupancy improved during 1983. The Marriott and the 395-room Sheraton Hotel in downtown Hartford are the market leaders in the upscale lodging supply. The 286-room Summitt Hotel, previously a Sonesta Hotel, completed a substantial renovation during 1983. Although all the major lodging chains have considered development in Hartford, no construction has commenced. Economy hotels have developed in the suburban areas, and include, among others, a new 104-room Super 8 Motel north of the city along I-91.

The outlook for the Hartford lodging market is one of moderate strength. While new development of hotels has been sluggish, full absorption of new and under-construction prime office space is likely to increase room-night demand and, thus, hotel development.

Russell Urban
New York

From Houston

Occupancy in the Houston lodging industry continued to decline during 1983. The citywide occupancy for 1983 was 53.9 percent, a decrease of 5.4 percentage points compared with 1982. All sectors reported decreases in their year-to-date occupancies. The Ship Channel/Gulf Freeway sector experienced a decrease in excess of 13 percentage points. All other sectors experienced decreases ranging from 3.1 to 6.8 percentage points. This decline in occupancy was attributable to a decrease in demand as a result of the oil and gas industry's difficulties in 1983, the continued effects of the devaluation of the Mexican peso and major additions to the city's room supply.

Average room rates continued to decrease along with occupancy. The citywide average rate for 1983 was $48.95, a 4.7 percent decrease from the average room rate for 1982. Decreases ranged from a low of 0.3 percent in some sectors to a high of over 8 percent in others. Occupancy levels started to increase toward the end of 1983, and this continued in 1984. This is attributed to the impact of the economic recovery.

New hotel development declined significantly from the unequalled pace experienced in 1982. Five new hotels added approximately 1,324 rooms to Houston's lodging supply in 1983. However, with the closing of the 290-room Lamar Hotel and the 231-room Tidelands, the total number of new rooms added to the area supply was actually 803. Fourteen hotels, recently completed or currently under construction, will add 4,055 rooms by the end of 1984; however, with the closing of 175 of the 275 rooms at the Whitehall, the actual number of rooms that will be added during 1984 is estimated at 3,880. In addition to the Whitehall's partial closing for renovations, it will also be closed on the weekends, thereby catering only to the commercial travelers who comprise the majority of its demand. The accompanying table summarizes recent hotel development in Houston.

Commercial activity remained slow during most of 1983 as a result of Houston's dependency on the oil and gas industry. In addition, oil drilling and production bottomed out, and it now appears to be making a comeback as a high inventory of idle rigs and equipment are being brought back into production. This comeback is still very tentative, and the city is experiencing a slow recovery. Unemployment averaged just over 9 percent for 1983; however, employment opportunities now appear to be gaining.

Planning is still underway for the new convention center to be located downtown in Houston Center. A renovation and expansion of the Astrodome complex should improve that facility's services. These developments should support continued growth in convention activity, and tourism should continue to increase at a moderate rate. A new tourist attraction, Hanna Barbera Land, opened in spring 1984 in northern Houston.

Demand for lodging facilities is projected to remain fairly stable in 1984. In general, occupancy levels will continue to be moderate during the next several years. Eventually, demand increases will absorb the additions to supply and provide additional support for new development.

Ken Bible
Houston

Houston
(New Properties)

Area	Property	Rooms	Occupancy Date
North	Sheraton Crown	450	1983
	Preference Inn	200	1983
	Wyndham Hotel at Greenspoint	450	1984
	Lexington Motor Inn	254	1984
	TraveLodge-Humble	60	1984
	TraveLodge I-45 North	96	1984
West	Hyatt Regency Woodcreek	400	1983
	TraveLodge-Clay	60	1984
	Holiday Inn Crowne Plaza Park 10	357	1984
Southwest	Holiday Inn—Wakeforest	350	1984
	Residence Inn—Southwest	152	1984
West Loop	Holiday Inn Crowne Plaza Galleria	500	1984
	Hotel InterContinental Houston	518	1984
South	Ramada Inn—Hobby Airport East	150	1983
	Quality Inn—Hobby Airport	124	1983
	Marriott Medical Center	410	1984
	Wyndham at Travis Plaza	195	1984
	Hotel Lueford	150	1984
	Quality Royale South	250	1984
Downtown business district	Rodeway Inn—Downtown	175	1984
Southeast	Super 8	78	1984
Total		5,379	

From Kansas City

All sectors of the Kansas City lodging market experienced increased demand and occupancy during 1983. Citywide occupancy rose from 59.4 percent in 1982 to 63.3 percent in 1983 with only a minimal increase in available rooms during the same period. Improved occupancy corresponds with the national economic recovery as well as increases in airline activity, convention business and expansion of the commercial office markets, particularly in the midtown and south suburban markets.

First-class properties continue to achieve an occupancy level above the market average, increasing from 67.1 percent in 1982 to 69.8 percent in 1983. The majority of room additions scheduled to open in 1984 and 1985 are first-class facilities and, in the growing suburban market of Johnson County, all-suite properties.

In the central business district, the 573-room Vista International finished construction in April 1984 and is scheduled to open in November 1984. The Vista, a Hilton International property, is the cornerstone development in the downtown revitalization that includes approximately 700,000 square feet of office space under construction and another 500,000 square feet planned to begin construction in 1984.

In addition, site preparation is underway for the AT&T regional headquarters complex that will comprise 950,000 square feet of office space, 200,000 square feet of retail space and restoration of 150,000 square feet of historic structures on the site.

South of the central business district, the Country Club Plaza, renown as a fashionable retail and entertainment district, is the site of several mixed-use and large-scale office projects including:

- Main Plaza, a planned 600,000-square-foot office complex and a 300-room luxury hotel.
- A proposed $300 million complex comprising office, residential, retail and hotel development including a 350-room first-class hotel.
- A 400,000-square-foot office complex in two buildings, scheduled to begin construction in late 1984.

Southwest Kansas City (Johnson County, Kansas) continues to be the dominant area for growth in the office, hotel and residential markets. Opened in mid-May 1984, a 199-suite Embassy Suite Hotel (the first in the chain) offers complimentary full breakfast, cocktails and bedroom/living room suites. A 404-room Marriott Hotel, with 15,000 square feet of meeting space and several restaurant facilities, and a 112-suite Residence Inn, which caters to corporate relocations and other long-term stays, were scheduled to open in summer 1984. A 225-suite Granada Royale also began construction during 1984.

A 60,000-square-foot convention and exhibition facility is proposed for development in Johnson County. The Amigo Trade Mart, a gift and merchandise association currently leasing a facility in the northeastern Kansas City area, has expressed interest in moving to the proposed facility. If built, this convention center would house the Amigo Mart, as well as provide needed convention and exhibit space to the growing hotel market in Johnson County.

Continued improvements in the city's highway system and economy and the absorption of office space should cause demand to grow and provide opportunities to develop new lodging properties where a market niche can be identified. However, 1985 should prove to be a soft year, given the increases in supply and projected slowdown in economic growth for the nation.

Jeffrey K. Marvel
Marc A. Schwartz
Kansas City

From Las Vegas

In 1983, the Las Vegas lodging industry began to recover to pretecession occupancy levels aided, in part, by record numbers of visitors and convention delegates and by the continued popularity of Las Vegas as a destination vacation site.

Area hotels reported a combined annual occupancy of 77.4 percent, approximately 1.3 points higher than the 1982 level. Weekend occupancy at area casino/hotels was approximately 91 percent in 1983, about 2 points higher than for the previous year. During approximately two-thirds of all weekends in 1983, Las Vegas hotels experienced occupancies greater than 90 percent.

Las Vegas motels reported a combined annual occupancy of approximately 63 percent in 1983, which represents a 4 point increase over the record low levels experienced in 1982. Weekend occupancy for motels was approximately 87 percent, compared with 79 percent the previous year.

The hotel and motel room supply continued to grow in 1983 with the addition of over 2,000 rooms, the majority of which were to casino hotels. Plans for a luxury all-suite hotel were announced in late 1983. The new hotel will be located near the Strip and will offer full guest amenities. At this time, however, no casino is planned.

A record 12.4 million people visited Las Vegas during 1983, a 6 percent increase from the 1982 level. The convention delegate attendance of 943,000 exceeded all previous attendance levels for Las Vegas. Since 1980, convention attendance has increased by more than 40 percent. Increased attendance has been due to several factors, including:

- Increased capacity at both the existing Las Vegas Convention Center and Las Vegas hotels.
- Opening of the new downtown convention center, Cashman Field.
- Continued acceptance of Las Vegas as a meeting/convention site.
- Continued strong marketing efforts of area hotels and the convention centers.

In late 1983, approximately 100,000 square feet of exhibit space was added to the Las Vegas Convention Center's capacity by the opening of a separate exhibit hall adjacent to the existing buildings. The Las Vegas Hilton began construction of an addition to its exhibit/meeting facilities. When finished during 1984, this expansion will give the hotel more than 230,000 square feet of space.

The recovery seen in 1983 lodging and visitor statistics continued into the first quarter of 1984. Area-wide occupancy for the first three months of 1984 exceeded levels for the previous two years, as did other activity indicators. With the continued strong marketing campaigns of the hotels and convention centers, the Las Vegas lodging industry should experience moderate levels of growth during the next year.

L. Ralph Pierc,
Kathleen M. Nylen
Las Vegas

From Long Island

Long Island, made up of Nassau and Suffolk counties, can no longer be characterized as a series of bedroom communities serving the residential needs of New York City. High prices for housing and office and industrial space in the city have forced many businesses to reassess their need for Manhattan locations. The result is an ongoing movement of commerce and population to lower-priced Long Island locations. Much of this shift has occurred over the past three years, which has helped to insulate Long Island from the ill effects of the recent nationwide recession. An industrial base heavy with electronic and defense-related manufacturers has also aided the area's economy.

Hoteliers have benefited from Long Island's strength, with occupancy for the market's approximately 3,500 first-class rooms remaining steady in the low-to-mid 70 percent range for the past two years. New hotel development has been at the high end of the market with the opening of the 212-room Sheraton Smithtown in 1981, the 391-room Long Island Marriott and the 276-room Garden City Hotel in 1982, and a 76-room addition to the Sunrise Executive House in 1983. Proposals for new development have been centered in separate pockets of intensive commercial development. The most prominent of these are the Route 110 corridor, Hauppauge and Mitchell Field.

The Route 110 corridor is an area of highly concentrated office space development stretching along the border of Nassau and Suffolk counties. The center of development is the intersection of Route 110 and the Long Island Expressway, approximately 30 miles east of Manhattan. New hotel proposals have proliferated and include a 308-room Sheraton Hotel, a 168-room Ramada Inn, a 300-room Marriott, a 350-room Hilton and a 100-room budget property. None of these projects has broken ground for a variety of reasons.

The commercial zone in Hauppauge, Suffolk County stretches from Exit 54 to 57 along the Long Island Expressway and contains several industrial parks with over 300 firms utilizing between 11 and 12 million square feet of space. Most firms are of the high-technology variety with a strong emphasis on aeronautics and electronics. The Society of International Realtors has described Hauppauge as the most heavily developed industrial area in the Northeast over the past two years. As can be expected, several hotel developments have been proposed recently, the most prominent being a 133-room addition to the Sheraton Smithtown, a 400-room hotel at the current Colonie Hill site and a 300-room Holiday Inn. Just south of Hauppauge is MacArthur airport, which is becoming Long Island's alternative to LaGuardia, Kennedy International and Newark Airports.

The third area where lodging demand has grown recently is Mitchell Field, a 1,000-acre former Air Force Base in central Nassau County. Development in the area is anchored by the 17,000-seat Nassau Coliseum and the 1.1 million-square-foot European American Bank Plaza office complex. The area is served by two new high-quality properties, the Long Island Marriott and the Garden City Hotel. Expansion plans are underway at the Marriott.

Hotel development elsewhere on Long Island includes the proposed 120-room Corniche Hotel in Glen Cove and a 50-room addition to the Harrison Conference Center, also in Glen Cove. Numerous proposals for development had been put forward in the resort areas of East Hampton; however, new development will be limited by a recent town-imposed moratorium on new hotels, a cap of five units per acre and a total ban on new waterfront properties. The East Hampton Town Board's ruling was a reaction against the conversion of approximately 1,000 motel rooms into cooperative apartments over the past four years.

The general outlook for Long Island is optimistic as the commercial base widens and matures. The Island's hotels have benefited from the area's stability and will continue to do so. As the area grows, many current proposals should be realized, particularly in the Route 110 corridor.

Thomas McConnell
New York

From Los Angeles

The greater Los Angeles area lodging market experienced an excellent recovery from the recession during 1983. First-class hotels in Los Angeles and Orange Counties reported an area-wide average occupancy of 73.3 percent, up nearly 2 percent from 71.9 percent in 1982.

The current boom in hotel construction added 2,833 rooms in Los Angeles County and 904 rooms in Orange County. During 1984, new developments will add 4,018 and 3,596 rooms to the supply in Los Angeles County and Orange County respectively. Despite these large increases in supply, area hotels achieved strong occupancy rates relative to the national trends for 1983. We believe that 1984's performance will be even better, with the year-end overall occupancy projected at just under 75 percent.

These trends illustrate how area hotel development has reacted to the very strong growth in demand. In 1983, this growth rate was approximately 6 percent, and for 1984 the area is projected to realize about an 8 percent increase in lodging demand due to many factors. These include:

- The 1984 Summer Olympics will have an obvious positive impact on summer tourism to Los Angeles. Media, entertainment, and other forms of commercial travel related to the games have also brought additional lodging demand to the area throughout the year.
- The area's major office markets are experiencing strong absorption of available space. Two significant projects in downtown Los Angeles will add over five million square feet to the existing office inventory over the next five to seven years. California Plaza will contain 3.2 million square feet of office space, an art museum, a 450-room deluxe hotel and a retail component. Citicorp Plaza will add 2.5 million square feet of office space and 350,000 square feet of retail space. The office inventory in the areas surrounding the Los Angeles International Airport and the John Wayne Airport in Orange County has also continued to increase. The Koll Center Irvine North will add 1.5 million square feet of office space and three hotels—a Holiday Inn, an Embassy Suite and a Ramada Renaissance Hotel. In addition, Los Angeles International Airport is undergoing a $500 million renovation.
- Los Angeles has emerged as a major embarkation point for the cruise ship industry. Cruise line traffic at the Port of Los Angeles has increased from under

100,000 passengers in 1979 to over 300,000 in 1983. By 1986, this number is projected to increase to 500,000 passengers. A large percentage of these passengers use Los Angeles area hotels before or after their cruise.

Area tourism attractions and hotels, however, reported further declines in foreign tourists in 1983. The strength of the U.S. dollar has limited foreign travel to Southern California attractions and encouraged U.S. citizens to travel abroad.

Greater Los Angeles area hotels achieved an average daily room rate of $64.85 in 1983. This represents an increase of 6 percent over 1982. An average increase of 7 to 8 percent is projected for 1984. First-class hotel operators in general are not increasing rates substantially for the 1984 Summer Olympic Games.

Looking ahead to 1985, a moderate increase in overall lodging demand in the Los Angeles and Orange County markets is expected. Commercial guest demand will experience strong increases; however, this will be partially offset by no growth in the tourist segment between 1984 and 1985.

Thomas M. Goff
Gordon R. Watkins
Los Angeles

From Memphis

The overall Memphis lodging supply achieved an aggregate occupancy of 64 percent in 1983, an increase of 3 points compared with 1982. Memphis's economy has not fully participated in the strong growth exhibited in many Sunbelt cities in recent years; however, the city's downtown revitalization and its position as the nation's sixth largest distribution center contribute to a more positive outlook for the future.

Holiday Inns, the Memphis-based lodging industry giant, is behind much of the hotel development in the area. The Holiday Inn-Rivermont has been sold and is likely to be redeveloped as residential condominiums. Ground has been broken on a new first-class Holiday Inn adjacent to the Cook Convention Center in downtown Memphis, and reportedly, Holiday Inns is proposing several more important developments in the near term.

Lodging performance in East Memphis during 1983 was strong from an occupancy standpoint last year, paralleling ongoing office development. At least three new hotels are proposed in the eastern suburban area, two of which would be affiliated with major chains.

In downtown Memphis, portions of the Beale Street refurbishment project have opened. An impressive array of retail, entertainment and food and beverage tenants hope to recapture the spirit once present in this cradle of American blues music. Mud Island theme park, located along the Mississippi River, continues to gain in popularity, as does the Peabody Hotel and the downtown theater district. At the airport, the new Lagniappe Inn is Memphis's first all-suite hotel. The property has been particularly well received by commercial travelers, and additional all-suite properties are proposed in other suburban locations.

R. Mark Woodworth
Atlanta

From Minneapolis/St. Paul

The northern Midwest responded slowly to the national economic recovery in 1983. It was not until mid-year that the Twin Cities lodging market began showing signs of improvement in terms of growth in occupancy points and increases in room sales per occupied room.

An increase in the demand for lodging accommodations was experienced by the market at the end of the summer. In 1983, the overall area occupancy at full-service properties increased 3.4 points over 1982, reaching 61.7 percent in 1983.

Lodging demand in the Twin Cities gained strength as occupancies began to increase compared with 1982, despite the continued expansion of the room supply. In 1983, 1,042 new rooms opened in three new full-service properties, resulting in an approximate 6.2 percent increase in room supply. During the period from 1978 to 1983, there was a net increase of approxi-

Los Angeles County (New Properties)

Area	Property	Rooms	Year of Opening
Arcadia	Granada Royale Arcadia	194	1984
Beverly Hills	L'Ermitage (addition)	12	1984
Century City	Century Plaza	322	1984
Downey	Granada Royale Hometel	220	1985
Hollywood	Sun West Hotel	140	1984
La Mirada	Holiday Inn	300	1984
Los Angeles	Hotel Bel Air (addition)	24	1984
	Beverly Comstock (addition)	43	1984
	Marriott Warner Center	450	1985
Los Angeles	Holiday Inn Crown Plaza	612	1984
International Airport	Granada Royale Hometel	350	1984
Long Beach	The Breakers	250	1984
Santa Monica	Holiday Inn Bayview (addition)	126	1984
Torrance	Brock Residence Inn	249	1984
	Marriott Hotel	494	1984
Universal City	Sheraton Premiere	518	1984
West Hollywood	Le Valadon	138	1984
	Le Mondrian	240	1984
	Le Bel Age	200	1984
1984 openings		4,212	
1985 openings		670	
Total		4,882	

Orange County (New Properties)

Area	Property	Rooms	Year of Opening
Anaheim	Emerald Hotel	513	1984
	Hilton Hotel	1,637	1984
City of Orange	Doubletree Inn	460	1984
Huntington Beach	Holiday Inn	224	1985
Irvine	Hilton Hotel	552	1985
Laguna Niguel	Ritz-Carlton Hotel	404	1984
Newport Beach	Meridien Hotel	472	1984
San Clemente	Ramada Inn	110	1984
Santa Ana	Granada Royale Hometel	280	1985
1984 openings		3,596	
1985 openings		1,056	
Total		4,652	

mately 4,870 rooms in the Twin Cities lodging market supply (2,890 full service, 1,980 economy), resulting in a current inventory of more than 15,000 rooms. This represents nearly a 50 percent net increase in supply over the five-year period with more than 600 additional rooms expected to open during 1984.

Downtown locations are a focal point for development. The opening of the Amfac in November 1983 added 600 rooms to the area supply. Nearly 500 additional rooms are expected with the opening of the 220-room Embassy Suite and the 226-room Radisson Metrodome in August and September 1984. The Curtis Hotel officially closed its doors in January 1984.

In downtown St. Paul, the reopening of the St. Paul Hotel in January and the opening of the Granada Royale in July added 440 rooms to the supply of full-service accommodations.

Development of downtown locations is also reflected in the development of the World Trade Center in Downtown St. Paul, which will include 430,000 square feet of office space, 125,000 square feet of retail space and a proposal for an upscale 250-room hotel. Construction of the office and retail space is expected to begin in fall 1984 and is scheduled for completion in 1986. The World Trade Center, which will be adjacent to the state Capitol, is expected to open the door for a substantial amount of commercial growth.

The Metropolitan Airport Commission reported that air traffic through the Twin Cities increased 2.5 percent in 1983 compared with 1982. The commission has proposed a $13 million expansion of runways and terminal buildings during 1984. Figures from both the St. Paul Convention and Visitors Bureau and the Minneapolis Convention Center indicate a decline in the number of conventions from 1982, although attendance per convention increased.

Overall average room rates for the Twin Cities demonstrated a modest 1.7 percent increase over 1982, resulting in a $47.82 average daily rate in 1983. Future room rate increases are expected to continue due to improving economic conditions, increased upscale competition and a decrease in the price sensitivity of consumer demand.

Overall sales rose 5 percent in 1983 over 1982. Rooms departments showed the most growth with an increase of 7.2 percent. Food and beverage sales only increased 2.4 percent, while other operating department sales experienced a 4.6 percent increase.

Rising payroll costs continue to play a significant role in the escalating costs of operation. Rooms payroll as a percentage of rooms sales stabilized around 18.6 percent, while food and beverage payroll as a percentage of food and beverage sales increased 0.6 points to 41.1 percent in 1983.

The economy lodging sector continues to be a competitive and growing force in the Twin Cities market. The supply of economy lodging accommodations rose to over 2,700 rooms at the end of 1983, reflecting a 460-room increase over 1982. The overall Twin Cities economy lodging market occupancy increased 1.7 points to approximately 56 percent in 1983. Room rates for those economy properties reporting in L&H's survey increased approximately 2.9 percent to reach $26.89 at year-end 1983.

The health of the tourism industry in Minnesota represents an important contribution to the area's economy. Area chambers of commerce, state tourism regions, and the state of Minnesota have recognized this contribution and have organized promotional efforts to capitalize on this economic activity.

Minnesota's current biennial tourism operating budget is $8.5 million, a considerable increase over the previous $2.4 million budget. Within the new budget, approximately $2.45 million will be spent for advertising over the two-year period.

Lodging receipts in Minnesota were up 11 percent for the first three quarters of 1983 compared with the same period in 1982. Inquiries from potential visitors, an indicator of tourist demand, increased 25.5 percent from 1982. Overall, tourism throughout the state has shown considerable signs of improvement.

We expect overall occupancy to rise as a result of substantial growth in commercial demand followed by moderate increases in convention and tourist demand. It is expected that average room rates will increase approximately 7 percent in 1984. It appears that the Twin Cities lodging market is recovering from the recession experienced in 1982 and, judging by the recent optimism that pervades the lodging industry, continual growth is anticipated in the future.

Janene L. McBride
Lynn Donohue
Minneapolis

From Nashville

Nashville has become synonomous with country music. Historically, most travelers to this city were only passing through, but today Nashville is a destination with more than 11 million visitors annually. It is the home of the Grand Ole Opry, Opryland USA, the Country Music Hall of Fame and Museum, and Printers Alley. North of Nashville, the Twitty City complex includes the country music superstar's home and Conway's Showcase and the Jim Reeves Museum, which chronicles the life and music of the late "Gentleman Jim." The Nashville network, a new national cable-network, is serving to enhance the city's image as a desirable destination. Because of the city's consistently strong levels of commercial demand and a steady convention/group meeting market, the area lodging market is not subject to severe seasonal fluctuations.

During 1983, area occupancies decreased 1 to 2 percentage points, resulting in an aggregate occupancy of approximately 66 percent. During the same period, average room rates increased approximately 6 percent for an overall average of $45. The decline in occupancy is attributed to slower than expected absorption of 1981 and 1982 additions to the rooms inventory. In 1983, the $40 million expansion of Opryland was completed and resulted in 468 additional rooms (for a total of 1,068 rooms), a new exhibit hall with 107,000 square feet of space, the Presidential Dining Room, three new restaurants and a two-acre conservatory of gardens under glass.

The multimillion dollar Nashville Convention Center has continued to progress in 1983. Several streets have been closed, buildings razed and excavation work begun on the project, which is expected to help bring new life to the downtown

area. Plans for the complex include a 700-room hotel, 120,000-square-foot exhibit hall, three ballrooms and 26 breakout rooms. Located near historic Ryman Auditorium, it will be within two blocks of the Hyatt, the Hermitage and the Radisson hotels, which will provide an abundance of first-class accommodations for conventions. Competition from suburban properties has affected lodging demand in downtown Nashville, and an increase in group meeting demand appears essential to ensuring the long-term success of these properties. The convention center will also contribute to revitalization efforts through the enhancement of a deteriorating pocket in the downtown area and by supporting the nearby riverfront park development, which is planned as a mixed-use food, beverage and retail area.

Future growth in overall demand in the Nashville lodging market depends largely on the availability of meeting facilities and related accommodations. In addition to the convention center, the 343-room Vanderbilt Plaza (a Lincoln property) opened in May 1984. Situated next to Vanderbilt University, the property will feature an 8,000-square-foot ballroom and a connecting lobby to the 145,000-square-foot office building currently under construction. In addition, a 181-unit Brock Residence Inn at Briley Parkway and Elm Hill Pike opened in mid-1984. Also, a 400-room Sheraton Hotel is currently under construction along McGovock Pike near the Nashville Metropolitan Airport. Other proposed or rumored new hotel developments include:

- A 400-room hotel to be located on Donelson Pike between Elm Hill Pike and I-40 near the new I-40 ramp.
- The Inn at Maryland Farms, a 125-room hotel in the Maryland Farms/Brentwood area of Nashville and oriented to commercial travelers.
- A planned expansion of the Holiday Inn-Briley Parkway.
- Marriott Corporation is considering several sites for a 300-room luxury hotel.

There also has been a tremendous surge in office construction in the Nashville area. A total of 6.8 million square feet of space is planned or under construction from 1983 through 1985. Of the total, 2.8 million square feet are located in the central business district, with the remaining four million square feet in suburban areas. The recent boom in construction, the city's commitment to building the convention center, the continued popularity of the Sunbelt Region and Nashville's diverse economy all suggest future growth in the lodging market throughout most sectors of the city.

R. Mark Woodworth
Lisa S. McCoy
Atlanta

From New England

The economic recovery that began in 1983 was most welcome to New England lodging industry operators. Without it, results could have been disastrous, especially in Boston, which has been undergoing a significant increase in room supply. Occupancy in downtown Boston hotels dropped to 69 percent in 1983 from just over 70 percent in 1982. The Westin Hotel at Copley Place opened in July 1983, adding 804 rooms to Boston's supply in time for the peak occupancy season in early fall.

The hotels adjacent to Faneuil Hall Marketplace and the waterfront continued to lead the market in occupancy with average rates significantly above most of the competition.

The Ritz-Carlton, Boston's grand-dame hotel for years, was sold in August 1983 to the W. B. Johnson Company of Atlanta, Georgia. W. B. Johnson announced an extensive renovation and restoration project in an effort to restore the Ritz-Carlton to its preeminent position in the Boston market.

Several projects recently opened or are under construction in Boston and Cambridge, including:

- The 289-room Four Seasons Hotel at Park Plaza, scheduled to open in early 1985.
- The 1,139-room Marriott at Copley Place, opened in May 1984.
- The 505-room Inter-Continental Hotel at Lafayette Place, scheduled to open in late 1984 or early 1985.
- The 200-room addition to the Royal Sonesta-Cambridge, opened in June 1984.
- The 300-suite Embassy Suite Hotel in Allston, overlooking the Charles River and scheduled for a late 1985 opening.
- The 309-room Charles Hotel adjacent to Harvard Square in Cambridge, scheduled for opening in late 1984 or early 1985.

In suburban Boston, several hotels are presently under construction:

- The 250-room Howard Johnson's Plaza in Westboro.
- The 250-room Hilton Inn in Lowell.
- The 76-room Comfort Inn in Rockland.
- The 250-room Holiday Inn in Natick.
- The 110-room Susse Chalet in Woburn.

In addition to the above, there are proposals in various stages of development that could, if completed, add another 4,200 rooms to the greater Boston room supply by 1992. Of these, 2,400 would be in or adjacent to downtown Boston.

Rooms demand is projected to increase by approximately 6 percent in 1984 over 1983. With the increased supply, however, citywide occupancy is projected to fall to 64 percent for 1984. In 1985, assuming economic stability, a continued 5 percent annual growth in rooms demand should stop the occupancy slide that has occurred since 1981 and result in a citywide aggregate occupancy of 66 percent. The closing of Hynes Auditorium for two years of expansion and renovation will have its impact on demand; however, Convention Bureau officials have indicated that there has been no extensive loss of bookings in Boston due to the increase in exhibit and convention capacity at Copley Place, the opening of the Bayside Exposition Center in Dorchester and the availability of the Northeast Trade Center in Woburn. Nevertheless, advance bookings for large conventions to be held in 1987, 1988 and beyond have been slow to arrive due to uncertainties about completion of the expansion and renovation.

In central Massachusetts, the city of Worcester is contemplating an expansion of its convention center, the Centrum, along with an addition to its supply of hotel rooms. City officials see an opportunity to participate more actively in the growing New England regional convention market.

Laventhol & Horwath
Certified Public Accountants

Lodging industry development has also been active elsewhere in New England. In Vermont, several major ski areas are experiencing growth in both skier visits and lodging accommodations. The addition of conference facilities in conjunction with condominium hotels is a concept being explored with great interest. Burlington, Vermont has experienced tremendous growth in air passenger traffic with the introduction of People Express and several other airlines. Numerous Canadian travelers from Montreal now use Burlington International Airport instead of Dorval because greatly reduced fares are offered from Burlington to New York and Florida.

In New Hampshire, the City of Manchester has seen the addition of a 250-room Holiday Inn and expanded convention space.

In Connecticut, a 200-room Holiday Inn is under construction adjacent to Bradley International Airport in Windsor Locks. A 300-room Sheraton Inn is proposed as part of Bradley's new passenger terminal complex. Commercial development is increasing along Interstate 91 between Hartford and New Haven, spurring interest in new hotel projects.

In Maine, Portland city officials are studying the development of additional downtown hotel and convention facilities. The Eastland Hotel, now operated by Sonesta, has been extensively renovated and upgraded. Increases in air passenger traffic at Portland International Jetport have rekindled interest in hotel development nearby.

In summary, New England's lodging industry is alive and well in 1984. While occupancies may slip a bit due to construction of new hotels, the entire process can be viewed as one of upgrading the region's inventory in response to market opportunities, provided that the various participants in the development process act in concert to keep the process under control.

Mark J. Feingold
Peter D. Keim
Boston

From New Orleans

Occupancy in the New Orleans lodging market for 1983 was 60.6 percent, 8.3 percentage points below the 1982 level. This decrease was attributable to the downturn in the petrochemical industry, the general decline in the national economy, the increase in room supply and the postponement of travel until the Louisiana World Exposition in 1984. The city-wide average room rate was $63.45, a 3.5 percent increase from the 1982 average room rate of $61.31. Properties in the French Quarter and the central business district achieved substantially higher room rates than those in other sectors of the area.

Convention-oriented demand continues to be predominant. Approximately 571,000 delegates visited the city in 1983. Strong growth within this segment has stimulated development of the new convention center on the riverfront. This convention center opened May 1984 as the Louisiana State Pavilion for the Louisiana World Exposition. When the Exposition ends in fall 1984, the new 820,000-square-foot facility will become the city's convention center. Growth in this market segment is projected to be positively impacted by the new convention center and the increase in the number of convention-oriented hotels marketing their facilities.

The tourism industry is a vital component of the New Orleans economy. The focal point for tourist activity is the French Quarter, which is located adjacent to the central business district. Tourists are also attracted to the Superdome, Lafayette Mall, Mardi Gras and the Sugar Bowl. The permanent exhibits from the 1984 Louisiana World Exposition will provide alternative attractions and further strengthen the projected growth of the tourism segment.

Commercial demand has been stimulated as a result of the revitalization of the central business district. The downtown office space inventory currently contains approximately 16.5 million net rentable square feet of office space with an additional 2.3 million square feet under construction.

With the increased demand projected as a result of the new convention center, the Louisiana World Exposition and office space absorption, hotel development in downtown New Orleans has accelerated. The following projects are among the hotels that have opened recently or are under construction.

- The 1,614-room New Orleans Hilton and Towers completed a 456-room addition in October 1983.
- The 504-room Inter-Continental Hotel opened in November 1983.
- The 392-unit Windsor Court Hotel, an all-suite property, opened in February 1984.
- The 227-unit all-suite Sugarhouse Park Suite opened in spring 1984.
- A 456-room Holiday Inn opened in June 1984.
- The 463-room Hotel Iberville at Canal Place is under construction and projected to open in September 1984.
- A 504-room Meridien Hotel is under construction, with a projected opening date of October 1984.

A number of additional properties have been proposed for development but are in the preliminary stages.

Metairie and the airport and eastern sectors have all experienced decreases in occupancy for 1983 compared with 1982. These sectors do not attain a proportionate share of the tourist and convention demand, and the commercial demand has been negatively affected by the economic conditions. An increase in demand is projected for 1984 due to the attractiveness of the lower room rates by more price-sensitive travelers.

The continued popularity of New Orleans as both a tourist and convention destination and the continued absorption of commercial office space are projected to have a positive impact on future growth in all sectors. The large increase in room supply is expected to be readily absorbed in 1984 by demand generated during the Louisiana World Exposition. During 1985 and 1986, however, the large room supply is expected to lower occupancies until levels of convention activity increase to fill the capacity provided by the new convention center and supporting hotels.

Karen N. Peterson
Houston

From New York City

New York City (specifically Manhattan) has continued to exhibit its resiliency as occupancy increased during 1983 to 73.7 percent, a 6 percent increase over 1982. This increase reversed the declining occupancy trend that began in 1980, when occupancy decreased from the 20-year

high of 82.5 percent during 1979 to 79.4 percent during 1980. The increase in occupancy can be attributed to several factors. First, the economic recovery has caused both corporate and pleasure travel to increase, thereby increasing overall lodging demand in Manhattan. Second, there was a net decrease in hotel rooms in Manhattan from 1982 to 1983 for the first time since 1976. During 1983 the only property to open was the 239-room Ritz Carlton located on Central Park South, which was a conversion of the Navarro Hotel. Outlined below is the trend of available rooms, occupancy percentage and occupied rooms per day for the past five years.

As this chart indicates, while occupancy was declining from 1979 to 1982, demand (occupied rooms) was increasing in each of those years except 1980. The decrease in occupancy can be attributed primarily to the increase in supply, which rose 13.4 percent since 1979 (an increase of 4,899 guest rooms). During the same period, demand increased by 384 occupied rooms per day, or only 1.3 percent, resulting in a 10.7 percent decline in occupancy, from 82.5 to 73.7 percent.

The last quarter of 1983 was especially strong compared with 1982, and this upward trend has carried over into 1984. Occupancy for the first two months of 1984 was 64.7 percent, 10.6 percent above the level for the same period in 1983. Demand is expected to increase throughout 1984 as the economy continues to be strong. In addition, the number of hotel rooms scheduled to open during 1984 is relatively limited, which should allow occupancy to increase further. These additions include:

- The 160-unit Plaza Athenee—New York, to be managed by Trusthouse Forte, will open in September 1984 on 64th Street between Park and Madison Avenues. The property will be oriented toward the luxury market and will cater to an international clientele, similar to its namesake in Paris.
- The 480-room Novotel, located on Broadway at 51st Street, is scheduled to open in August 1984. The property is affiliated with the French Sofitel chain and will cater to mid- to upper-level commercial and leisure travelers.
- The 250-unit NovaPark-Gotham Hotel, reported in last year's edition of this publication as scheduled to open during late 1983, has experienced construction delays due to cost overruns. The projected opening date is uncertain at the time of this writing but most likely will be late 1984 or early 1985. The property will be marketed as a center-city resort, which will include luxury guest suites, as well as high-quality food and beverage facilities and a rooftop health club and pool.

There are several projects, under construction or proposed, which will enter the market during 1985 and beyond. These include:

- The 2,017-room Marriott Marquis, now under construction on Broadway and 46th Street, will be the first major convention hotel to open in Manhattan since 1963 and is scheduled to open during June 1985. The 48-story atrium property will contain four restaurants with a total of 689 seats (including a revolving restaurant on the 47th floor), four lounges with a total of 872 seats (one, a revolving lounge in the lobby), a 30,000-square-foot grand ballroom, a 23,000-square-foot exhibit hall, 21,000 square feet of meeting and conference space, a 1,500-seat Broadway theater and a 1,250-square-foot health spa.
- Several hotels are rumored for lower Manhattan's financial district. These range from moderately priced to luxury properties and include a hotel near the South Street Seaport.
- Several hotels (including a floating hotel) also are rumored for the area near the new Exposition and Convention Center, now under construction between 11th and 12th Avenues from 32nd to 39th Streets. Several other hotels are proposed for the Soho section of Manhattan. A 350-room first-class hotel, proposed for downtown Brooklyn, would contain extensive catering facilities.

While the previously mentioned Exposition and Convention Center will increase demand for hotel rooms in Manhattan, a significant portion of this demand will displace the current demand at hotels in the vicinity of the New York Coliseum at Columbus Circle. The Coliseum will close subsequent to the new convention center's opening. However, the new supply of rooms should be absorbed relatively quickly due to the improved economy, the substantial amount of office space under construction and proposed, and the incremental demand generated from the convention center.

The increase in occupancy from 1982 to 1983 had a positive effect on the average rate per occupied room. When occupancy was declining from 1981 to 1982, the average rate increased only 4.7 percent from $77.27 to $80.87. When occupancy was increasing from 1982 to 1983, the average rate increased 7.1 percent (well above the rate of inflation) from $80.87 to $86.61. The increases in occupancy and average room rate resulted in an overall increase of 10.1 percent in room sales for Manhattan's hotels. This increase in the average room rate is consistent with historic trends, whereby during periods of declining occupancy the increase in the average room rate kept pace with inflation, and during periods of increased occupancy, the rise in the average room rate exceeded inflation.

The airport properties in New York City (at LaGuardia and John F. Kennedy International Airports) have not experienced the increases in occupancy enjoyed by the Manhattan lodging facilities. These airports have virtually reached their peaks in terms of plane movements, and increased activity is occurring at Newark International Airport in New Jersey, which is still operating below capacity. For this reason, there has been minimal talk of new lodging development at LaGuardia and Kennedy since the opening of the 437-room Marriott Hotel at LaGuardia in 1982.

As a result of the many positive factors that may affect lodging demand in Manhattan over the next several years, Manhattan's hoteliers are bullish. Occupancy should continue to increase through 1984 as the economic recovery stimulates com-

Year	Number of Rooms In Major Hotels	Citywide Occupancy	Average Occupied Rooms Per Day	Percent Change
1983	41,546	73.7%	30,619	1.8%
1982	43,292	69.5	30,088	0.3
1981	41,067	73.0	29,979	1.2
1980	37,300	79.4	29,616	(2.0)
1979	36,648	82.5	30,235	—

mercial and tourist activity. Beyond 1984, it is hoped that various new developments such as the Exposition and Convention Center, new office space and waterfront developments, will generate hotel demand in Manhattan.

Arthur B. Adler
New York

From Northern New Jersey

The escalating cost of real estate and taxes in New York City, and of transportation to and from the city, continues to provide an incentive for businesses to relocate to outlying areas. Northern New Jersey has been the recipient of much of this movement because of its proximity and accessibility to New York City.

The increased activity in the Northern New Jersey area has resulted in an approximate 6.5 percent growth in room-night demand, an approximate 4.7 percent increase in average rate per occupied room and a significant increase in the supply of lodging facilities from 1982 to 1983.

First-class properties have dominated the hotel developments that occurred in the Northern New Jersey area during 1983. This is a result of the increasingly predominant commercial base of demand present in this market area. This trend of increasing commercial demand is expected to continue into 1984 due to the continued influx of local and national commercial activity as well as the increased volume of both commercial and passenger airline traffic. Increasing hotel occupancy rates should accompany this growth.

Some of the major Northern New Jersey lodging markets are the Hackensack-Meadowlands district, the Parsippany-Troy Hills area, Hunterdon County and the southern I-287 corridor.

The Hackensack-Meadowlands District (HMD) is comprised of 14 municipalities from both Bergen and Hudson Counties, which are situated in Northeastern New Jersey.

The Meadowlands Sports Complex, in the center of the HMD, includes three separate sports facilities—Giant's Stadium, Brendan Byrne Arena, Meadowlands Racetrack—and draws visitors to the area throughout the year for a variety of sports and entertainment events.

Occupancy in the HMD market area dropped 0.8 percent from 71.3 percent in 1982 to 70.7 percent in 1983. This is due to an increase in the lodging supply from the opening of the 350-room Loews Glenpoint Hotel and the 54-room addition to the Ramada Inn-Clifton. The average rates per occupied room for the properties in the market area increased approximately 5 percent from 1982 to 1983.

The market characteristics of the HMD indicate positive trends for the future of the area, primarily as a result of commercial expansion. The HMD, since its inception, has seen the creation of almost 40,000 new permanent jobs. The HMD accounted for almost 12 percent of the total job growth for the entire 18-county New York metropolitan area. This was due largely to the fact that the Meadowlands Sports Complex is currently the largest employer in Bergen County. In response to this continually growing demand, several new hotels have been proposed. Possible additions include a 450-room Sheraton to be located at the Berry's Creek Development and a 308-room hotel proposed for Patterson Plank Road in East Rutherford.

The Parsippany-Troy Hills (Par-Troy) area is situated in Morris County in north-central New Jersey. This market area has a large corporate base and contains numerous office developments that house such companies as American Telephone & Telegraph, Prudential Insurance Company, Sandoz-Wander Pharmaceutical Division and Picatinny Arsenal. This large commercial base results in the majority of commercial demand as opposed to transient business travel.

Occupancy in the Par-Troy area increased 1.1 percent from 69.9 percent in 1982 to 70.7 percent in 1983. The properties in this market area vary greatly in terms of facilities, prices and guest amenities. Additions to supply include a 66-room addition to the Aspen Hotel/Manor in 1983 and a 200-room Sheraton in Fairfield in 1984. Other proposed or rumored additions to supply include a 300-room Sheraton to be located on the southeastern corner of the I-80 and I-287 interchange, a 350-room Marriott to be located on Route 10 opposite the Parsippany Hilton and a 216-room Ramada Inn proposed for Dover.

Par-Troy has evolved into a region with its own business and employment opportunities, rather than being a residential suburb servicing New York City. In addition, its population has increased in size while, coincidentally, becoming slightly more affluent in composition. These developments have positively affected commercial and group/meeting room-night demand in the area in the past and should continue to do so in the future.

The Hunterdon County lodging market currently consists of small motel operations. These properties maintained an annual occupancy in 1983 of 72 percent.

Hunterdon County is the most recent area targeted for business relocation. Exxon recently moved some of its research and development facilities to Clinton. This facility includes 850,000 square feet of office space on 750 acres. Other companies are expected to follow Exxon's lead during the next five years. This potential movement is evidenced by the large land purchases being made in the area by the real estate developers, Foster Wheeler and First Boston.

Four lodging facilities have been proposed for the Hunterdon County area. These proposals are as follows:

- A 101-room Holiday Inn to be located in downtown Clinton.
- A 115-room budget property to be located in Flemington.
- A 300-room hotel and conference center to be included in a mixed-use development on the site of the Braverbrook Country Club.
- A 101-room hotel to be located in the proposed Flemington Trade Center.

The southern I-287 corridor lodging market experienced significant growth in available rooms and a resultant three-year decline in area-wide occupancy. Occupancy dropped 10 percent between 1981 and 1982 and 8 percent from 1982 to a level of 62 percent in 1983.

The southern I-287 corridor includes an inventory of 7.8 million square feet of top-quality office space. The absorption rate of this space has remained at approximately 750,000 square feet over the last three years, and this trend is expected to continue as more companies relocate to the area.

Additions to the lodging supply in this area include the following:

- The Somerset Hilton, opened in mid-1983, includes 380 guest rooms and meeting space for 1,000 persons.
- The Holiday Inn-Somerset, which

also opened in mid-1983, includes 292 rooms.

- A Granada Royale with 225 suite-type rooms is proposed for Piscataway.
- A Red Roof Motel is proposed for South Plainfield and would include 109 guest rooms.
- A 137-room Franklin Inn is under construction in South Plainfield.

Roger T. Clark
Lawrence M. Goland
New York

From Philadelphia

Philadelphia is improving its reputation as a quality hotel market with the closing of several older, marginally successful hotels, the renovation and restoration of many downtown landmark properties to first-class standards and the construction of new facilities. For 1983, the citywide occupancy and average room rate were 61 percent and $54.96 respectively, reflecting a slight rebound in occupancy and a 6 percent increase in room rate compared with 1982 levels. Philadelphia's occupancy was held down by the recent opening of several hotels. The new facilities have added approximately 1,100 rooms to downtown Philadelphia's existing supply of 5,000 rooms, and proposed additions are expected to add another 465 rooms by 1986.

A recent development that should have a positive impact on the future performance and growth of Philadelphia's hotels is the institution of a 3 percent room tax that went into effect in 1983. Revenues generated by the tax are to be used to promote Philadelphia as a tourist, convention and group-meeting destination.

Another development is the proposed construction of a new Philadelphia convention complex consisting of up to 455,000 square feet in convention facilities and a 1,200-room Hyatt hotel in downtown Philadelphia. The existing 378,000-square-foot Philadelphia Civic Center has been criticized as being inconveniently located away from downtown hotels. Development of the new facility is not expected to be completed much before the end of the decade.

West of "Center City," in the City Line area, the 515-room Adam's Mark Hotel (formerly a Holiday Inn) underwent a $40-million renovation and reopened in April 1983. City Line hotels and other businesses have banded together to promote this area as a tourist and convention destination away from, but accessible to, downtown Philadelphia. With more than 1,500 rooms between three hotels (Adam's Mark, Best Western and Marriott), this area is being marketed as a self-contained convention site.

Hotel development is also occurring near the Philadelphia International Airport, where the Beacon Companies of Boston is developing a 254-suite Embassy Suite Hotel and a 175-room Days Inn. Both projects are expected to be completed in 1985. Another Beacon Companies property, a 230-suite Embassy Suite Hotel, is being planned for the Chesterbrook Corporate Center located in the Valley Forge area.

Overall, the prognosis for the lodging industry in Philadelphia is for moderate growth and continued improvement in its image as a city of quality hotels.

Peter R. Tyson
Luis C. Acosta
Philadelphia

From Raleigh

The Raleigh lodging industry experienced a moderate decline in occupancy in 1983 largely as a result of the slow absorption of supply increases from 1982. Area-wide occupancy decreased to approximately 57 percent from a 1982 level of 60 percent. The addition of the 277-room North Raleigh Hilton combined with the 1982 room additions, which included the 312-room Marriott in Crabtree Valley and the 362-room Radisson Plaza in downtown Raleigh, represented a 16 percent increase in the area's lodging supply. For this same period, the average room rate increased slightly from approximately $49 in 1982 to $51 in 1983.

Previously characterized by small, limited-service facilities catering to commercial and state and local government-related travelers, the city now offers several first-class properties with extensive food and beverage and meeting facilities. As a result, Raleigh is becoming increasingly competitive within the regional group meetings market.

Several economy properties that opened in 1982 and early 1983 have experienced high occupancies, generally accommodating price-sensitive commercial travelers, tourists and government-related guests. The initial success of these properties, as well as of existing first-class properties, has elicited additional interest in new hotel development in the area. Proposed lodging facilities include a 150-room Sheraton Inn and a 103-suite Meredith Guest House to be located near Research Triangle Park. In addition, the North Raleigh Hilton plans to add another 2,000 square feet of meeting space and 56 new rooms.

Although occupancies are down, Raleigh's economy and growth in commercial development remain strong. Research Triangle Park, one of the nation's largest centers of high-technology companies, continues its rapid expansion attracting a prestigious list of tenants including IBM, General Electric, Burroughs-Wellcome, Data General and Hewlett-Packard.

The area's excellent location, labor and business climate, quality of life and proximity to several major educational institutions have enabled the Park to attract prime industries.

Office construction and absorption rates also have remained healthy throughout Greater Raleigh. The most active sector has been Crabtree Valley, a rapidly growing area for all forms of land use. In addition, the recent terminal expansion at the Raleigh-Durham Airport has contributed to a reported 21.8 percent increase in airline activity from 1982 to 1983. This is projected to continue over the next several years.

With continued commercial growth, particularly within Research Triangle Park, long-term prospects for future hotel development are positive.

William J. Spears
Charlotte

R. Mark Woodworth
Atlanta

From the Rocky Mountain Resorts

Lodging development activity in the Rocky Mountain resort areas strength-

ened during the year as the national economy continued to improve. The development of additional condominiums continues to represent the majority of lodging development activity; however, many resort operators are realizing the benefits of a "focal point" hotel property and conference center to stimulate resort activity especially during the summer months.

Rocky Mountain ski resorts registered new highs in skier visits. During the 1983-1984 ski season, the Colorado resorts exceeded last year's all-time high by 4 percent, representing approximately 8.5 million local and out-of-state skier visits. In addition, Utah is being increasingly recognized as a destination ski resort market. Characterized by heavy snowfall and easy access from Salt Lake City, ski resort areas such as Snowbird, Park City and Deer Valley have shown strong growth in overall lodging demand.

Generally, occupancies and average rates increased over the 1982-83 season. The best results were achieved by resorts that developed innovative marketing tactics during the season, such as special arrangements with airlines, and also concentrated on expanding their summer activities. Recognizing that the competition is increasing for skiers, summer tourists and meeting/conference business, many areas continue to develop amenities that increase their appeal as year-round destination resorts. This includes conference centers or condominium projects with extensive meeting and conference facilities.

As growth continues, many resort areas have expanded or are expanding their ski mountains in addition to their bed base. Crested Butte, Breckenridge, Snowmass, Beaver Creek, Winter Park, Copper Mountain, Snowbird, Park City and Deer Valley are among the resorts that recently constructed additional chair lifts or opened new ski trails.

The high cost of financing and constructing resort hotels and their inherent lower annual occupancies due to seasonality has led developers to various methods of creative financing. One method involves selling a portion or all of the units as full-share or quarter-share condominium ownership. These units are then managed and operated through formal rental agreement programs. Another method, which has gained recent notoriety, is the condominium hotel that is marketed as a real estate security and is registered with the Securities and Exchange Commission (SEC). An important aspect of this type of property is that it is, for all purposes, a hotel. The property is designed, operated and marketed as a hotel and, therefore, is generally able to obtain higher occupancies and additional revenues from operations than condominium properties with rental programs. Several SEC-registered condominium hotel projects are proposed, and many will be announced throughout 1984.

The outlook for lodging development—both hotel and condominium—in the upcoming year is very good. Throughout the Rocky Mountain region, several expansions to existing ski mountains as well as new ski resort areas are in various stages of planning and development. The major hotel companies are becoming more aggressive in developing mountain resort projects, especially through the use of relatively new forms of creative financing.

Michael K. Plummer
Gary S. Schettl
Denver

From St. Louis

Hoteliers in the St. Louis metropolitan area experienced an increase in annual occupancy for the first time in three years, achieving an estimated 61 percent occupancy level in 1983. The average room rate for the year showed gradual improvement, rising 3.6 percent to approximately $44.50.

As reported in last year's comments, many new projects were started in late 1981 and 1982. Completion of this new development throughout 1983 and early 1984 resulted in the addition of more than 900 new hotel rooms. An improving economy and more favorable financing terms have contributed to the continuing interest in lodging developments within the St. Louis metropolitan area.

Downtown St. Louis is experiencing the greatest amount of development activity not only of lodging properties, but also of commercial office and retail space and rehabilitation projects. This renewed attraction to the central business district has interested lodging developers in the area's potential.

As reported in previous comments, Oppenheimer Properties and the Rouse Company have merged their respective talents, and construction is underway on the redevelopment of historic Union Station. Anticipated to open in late summer 1985, the project will include a 550-room Omni International Hotel and in excess of 200,000 square feet of retail attractions.

Downtown across from the Arch, the HBE Corporation is presently constructing a 900-room Adam's Mark Hotel, which is scheduled to open in late 1985 as well. The construction of the 1,450 rooms within the Omni International and Adam's Mark hotels will increase the supply of first-class hotel rooms in the central business district by nearly 50 percent.

Lodging development for the Lacledes Landing redevelopment area is reported to begin in May 1984, with the construction of a 300-room Granada Royale all-suite property. In addition to the Granada Royale, officials of the historic riverfront district continue to seek a suitable developer for a luxury-style lodging facility. While this should assist St. Louis in attracting larger conventions, it will also challenge hoteliers to sustain occupancy levels as room supply and competition increase substantially.

Other lodging projects contemplated for the central business district include an all-suite property to be included as the north anchor of the May Company/Melvin Simon joint venture—St. Louis Centre, a 1,400,000-square-foot mixed-use project. Also, a full-service hotel within the Gateway Mall is planned for the city's central corridor.

The lodging market at Lambert-St. Louis International Airport increased by 540 rooms in 1983 and early 1984. The 400-room Breckenridge Concourse Hotel opened in June 1983 and is partially owned and operated by Stouffer Hotels. A 140-room expansion and renovation of the Park Terrace Airport Hilton Hotel was completed in January 1984, bringing the total of rooms to 340. The airport lodging market continues to be one of the strongest in the metropolitan area, exhibiting strong increases in occupancy and average room rate throughout 1983.

Midtown St. Louis, location of the Fox Theatre and the Central West End district,

continues to evolve as the city's entertainment and nightlife area. However, lodging development in the area was relatively inactive in 1983, a situation reflected in the Chase Hotel's division of its 800 rooms into a 350-room hotel and a luxury apartment building (the Park Plaza). HB Development Company of Tustin, California has purchased the Forest Park Hotel in the Central West End and plans a rehabilitation of the property to 246 luxury rooms.

In suburban West St. Louis County, the 225-room Breckenridge Executive Conference Center in Chesterfield, Missouri opened in January 1984. As reported in last year's comments, a Brock Residence Inn is planned as part of the Turco Development Company's Park 270, a commercial office complex under construction on Interstate 270 near the Westport Plaza.

In addition to the above projects, national as well as independent lodging developers have shown strong interest in developing new projects in West County with emphasis on the U.S. Highway 40 corridor.

Although interest in lodging development in areas of South St. Louis County continues to be strong, the relatively low average room rates characteristic of the market have inhibited new hotel construction to date. However, developers of the existing Sunset Plaza office and retail mall continue to evaluate various lodging alternatives for potential inclusion in their project. Independent developers have also considered select locations along Interstate 44 in South St. Louis County for potential lodging development.

As reported last year, a 202-room Holiday Inn opened in mid-1983 in St. Peters, Missouri (St. Charles County). Developers of the Seventy Corporate Plaza in Wentzville, Missouri are proceeding with plans to develop a 140-room Sheraton Motor Inn to enhance their project. Prospects for future lodging development in St. Charles County appear to be strong, since it was among the fastest growing counties in the nation from 1970 to 1980 and continues to develop and mature.

Lodging development east of the Mississippi River in southern Illinois was relatively static throughout 1983 primarily as a result of the national recession's effect on area manufacturing industries. Developers expect continued economic recovery and are prepared to capitalize on future opportunities. A 238-room Hilton Hotel is under construction with a late 1984 opening planned.

Led by the rebirth of the central business district, the St. Louis metropolitan area is experiencing substantial and diverse development activity. Construction of new hotel rooms is a major portion of this activity, particularly downtown. An increasing number of these new properties are appearing within the larger scope of mixed-use developments, as developers attempt to lessen the risk of new lodging ventures. Potential for new lodging development is strong, particularly within suburban West St. Louis County. Many projects have been financed through the use of limited partnership syndication and urban development action grant (UDAG) gap financing.

Felix J. Cacciato
St. Louis

From San Antonio

The recessionary economy continued to impact San Antonio's lodging industry in 1983 as it had done in 1982; however, signs of recovery began to surface by the third quarter of 1983. Year-end citywide occupancy was 69 percent, only 0.4 percentage points below the 1982 figure. Monthly citywide occupancy statistics in 1983 fell below the 1982 figures until August when they began to rise above 1982 levels for the remainder of the year.

Increases in demand were experienced in all market segments. Commercial travel increased due to reports that San Antonio might become an anchor in a potential high-technology corridor between San Antonio and Austin. Corporate meeting and convention attendance began to improve during the fall. San Antonio still remains one of the top tourist destinations in Texas and an increase in tourist travel also became evident during the summer months when the difference between 1982 and 1983 monthly occupancy levels began to lessen.

The citywide average rate for 1983 was $45.09, a 3.3 percent increase over 1982's average rate of $43.67. Changes in average rate for various sectors of the city ranged from a 0.5 percent decrease to a 4.1 percent increase. Although the citywide average rate was higher in 1983 than in 1982, this was not true for all sectors of the city due to the continued competitiveness in the market.

The recession did not affect San Antonio as severely as it did other major Texas cities whose economies were dominated by the oil industry. San Antonio's economy historically has relied on tourism, conventions and the U.S. military. The efforts of city officials to expand this economic base resulted in San Antonio being one of the final candidates for the relocation of Micro Electronics and Computer Technology Corp. (MCC), a consortium of 12 technology and research firms. Participation in this selection process has generated continued interest in San Antonio as a regional headquarters location for many corporations from various industries.

The importance of the convention business in San Antonio has long been recognized by city officials. In 1983, city officials commissioned Laventhol & Horwath to conduct a feasibility study for the expansion of the existing San Antonio Convention Center, and City Council has approved the proposed expansion which would bring the center's total exhibit space to 250,000 square feet. In addition, the city is working with a private developer to redevelop the Hemisfair Plaza in which the Convention Center is located. Plans include retail, office, restaurant and hotel components.

Many changes occurred in San Antonio's hotel supply in 1983 through expansions and renovations as well as additions. The 90-room Rodeway Inn-O'Conner and a 115-room Texian Inn opened in 1983. The St. Anthony Inter-Continental, Gunter Hotel and Crockett Hotel all completed their renovations in 1983 removing over 150 guest rooms from the downtown hotel supply. The closing of the Inn at Turtle Creek removed another 317 guest rooms from the city's supply. Projects that started construction in 1983 will add over 1,000 guest rooms by 1985. These projects include the following:

- The 48-unit Medical Center Guest-House.
- The 126-room Rodeway Inn-Westland Royale.
- The 90-room Rodeway Inn-O'Conner.
- The 128-unit Brock Residence Inn, an all-suite property.

- The 328-room Wyndham Hotel.
- The 300-room Holiday Inn-Callaghan.

San Antonio's recovery should continue through 1984 and has the potential to outpace other Texas cities through its efforts to broaden its economic base. To some extent, San Antonio's economic future will depend on how successfully it can market itself as a corporate location for high-technology companies. The continued economic development of the city will provide support for new lodging projects throughout the remainder of the 1980s.

Randall T. Hodde
Houston

From San Diego

During 1983, San Diego County lodging operators achieved an occupancy level of 75.7 percent, up 3.3 occupancy points from 1982. Room sales per occupied room increased 7.3 percent to $59.58 during 1983. These remarkable gains were achieved due to substantial increases in commercial and tourist demand.

According to the San Diego Convention and Visitors Bureau, visitor days were up 3.8 percent, visitor spending increased 7.3 percent, airport passenger arrivals were up 15.8 percent, the San Diego Zoo attendance increased 3.9 percent and Sea World attendance increased a phenomenal 14 percent. However, border crossings and convention attendance showed declines.

Several events that are significant to the hospitality occurred during 1983. Voters approved the proposed San Diego Convention Center. Scheduled for completion in 1987, the facility will offer 250,000 square feet of exhibit space and 100,000 square feet of banquet and meeting space. Many cruise ship lines are now making San Diego their home port, and this has created an additional source of lodging demand. Also, a "Bullet" train route between San Diego and Los Angeles has been proposed.

The ambitious and well-conceived redevelopment plan for the downtown area has been successful. The 681-room Inter-Continental Hotel near Seaport Village opened recently, and the reconstruction of the 195-room U.S. Grant Hotel is currently underway. Construction has also started on the Horton Plaza, a retail, hotel and entertainment center in the downtown area.

Other projects currently under construction in the San Diego area include:

- Commencement of construction of the 350-room Marriott Hotel near University Town Center in the La Jolla area.
- Commencement of construction of the 265-room Quality Royale Hotel in the Mission Valley area.
- The expansion of Jack Murphy stadium, home of the San Diego Chargers NFL football team and the San Diego Padres baseball team.

Continued growth in San Diego's lodging demand is expected. Favorable, area-wide operating levels and San Diego's expanding economy have captured the attention of major hotel companies and developers throughout the United States. A large increase in the supply of lodging facilities can be anticipated.

San Diego County's population is thought to have exceeded two million during 1983. Many economists have identified it as an area that may develop at one of the fastest growth rates in the country and as an area that provides many real estate development opportunities.

Jerome A. Morrison
J.B. Rose
San Diego

From San Francisco

Annual occupancy rates at San Francisco's largest hotels remained fairly constant in 1983 as the city awaited the effect of the dramatic influx of new hotel rooms that began in late 1983 and will continue through the next few years. The 710-room Meridien Hotel and 126-room Campton Place Hotel opened in October 1983, and the 1,033-room Ramada Renaissance and 257-room Marriott at Fisherman's Wharf are scheduled to open in late 1984. Another important development in the San Francisco lodging market is the popularity of rehabilitating existing second-class hotels. Well-located, but physically deteriorated hotels are being renovated and marketed primarily toward the price-sensitive corporate travelers and tourist market segments. Some examples of recently renovated hotels are the Vintage Court, the Bedford Hotel and the Hotel Union Square. The Galleria Park will open in 1984.

Despite the increased competition, annual occupancy rates at San Francisco's largest hotels decreased only slightly from 72 percent in 1982 to 71.5 percent in 1983. The average daily room rate at these hotels increased 4.5 percent from $88 in 1982 to $92 in 1983. Similar comparative performance levels were experienced by properties near San Francisco International Airport.

Citywide occupancy for 1983 was 73.4 percent compared with 73.8 percent in 1982. The average daily room rate for the market area increased 5.3 percent from $55.56 in 1982 to $58.50 in 1983. Holiday Inns, Inc. opened its first Crowne Plaza—a 407-room property located south of the Airport—in late 1983. In 1984, AIRCOA will complete its expansion and upgrading of the Clarion Hotel, formerly known as the Airport Plaza. In addition, a number of other new properties and expansions of existing properties are scheduled for the airport sector during the next few years.

Across the Bay, the Oakland market area experienced a drop in occupancy from 77 percent in 1982 to 73 percent in 1983. The major addition to the Oakland lodging market was the opening of the 488-room Hyatt Regency Oakland adjacent to the new Oakland Convention Center. In the next few years, however, additions to the room supply are more likely to occur in the vicinity of the airport and in the downtown area near the Oakland Convention Center and Hyatt Regency.

The "Silicon Valley," a major high-technology industrial area in central Santa Clara County is economically strong and dynamic and will become a strong lodging market. The area-wide occupancy at the first-class hotels was 74 percent in 1983, with an average daily rate of $65. Properties entering the market in 1984 include two first-class hotels, a 235-room Brock Residence Inn in Sunnyvale and a

Laventhol & Horwath
Certified Public Accountants

200-room Beverly Heritage in Milpitas, and Holiday Inns' first Embassy Suites with 258 units.

The City of San Jose is planning to develop a 300,000-square-foot convention center in its central business district, with completion targeted for 1987. The city of Santa Clara plans to open a 150,000-square-foot convention center in 1986, and a 500-room Doubletree is proposed in conjunction with it.

As the hotel industry benefits from the rebounding economy and industry continues to relocate to Northern California, the San Francisco Bay Area will continue to attract hotel development. The question is, however, whether some of the sectors can support this much development.

Michael Issenberg
San Francisco

From Savannah

The Oglethorpe Mall area on Savannah's south side has recently emerged as a focal point for the area's lodging industry. Several economy-oriented and moderate-quality properties have opened in recent years, with several more under construction or proposed. Occupancies in this commercially dominated sector remain strong despite increasing competition. An exciting recent proposal calls for the construction of a Courtyard by Marriott, which would represent a continuation of the Washington-based company's pilot program in Georgia.

Small inns in restored 18th- and 19th-century homes continue to proliferate in the downtown Historic District. New development includes a proposed Ramada Inn at the Gateway Savannah exit on Interstate 95. Rumors abound that two major downtown hotels are for sale, and renovation and management changes attendant to such sales would likely have a material impact on the area lodging industry.

Savannah's already healthy economy has benefited further from recent national economic recovery, and the area-wide occupancy for 1983 was approximately 73 percent, an increase of 3 percentage points over 1982, despite corresponding supply growth. This strength, along with Savannah's emerging status as a group meeting site, indicates that the city could support an additional first-class hotel of 300 or more rooms.

Industrial concerns continue to capitalize on Savannah's large, modern port facilities. Georgia's first gasoline refinery has been proposed in Garden City, a thriving industrial suburb. The Port of Savannah will be used to receive the crude oil necessary for the process and to export coke, an industrial fuel that also would be produced by the proposed refinery, to Europe.

Nearby, Hilton Head Island, South Carolina continues to be a very active real estate market, with several major hotels either under construction or proposed. The most important of these are a 418-room Inter-Continental Hotel, now under construction in Port Royal Plantation, and a proposed 160-room expansion to the Hyatt on Hilton Head.

R. Mark Woodworth
Atlanta

From Seattle

The Seattle lodging market experienced a year of significant growth in 1983. After a two-year economic recession and the recent near doubling of the first-class rooms supply, the area showed the first signs of growth since the late 1970s. This year's market was a changing one, characterized by substantial room-rate discounts, a stronger group and convention trade and, overall, market positioning by the new as well as the existing competitors.

The 576-room Madison Hotel opened during the summer of 1983. This opening marked the end of the recent wave of major hotel development that began in 1981.

Holiday Inns entered the downtown market in late 1983 with the acquisition of the three-year-old, 435-room Park Hilton Hotel. The hotel will be operated as one of the company's new Crowne Plaza Hotels. In addition, Stouffer Hotels began negotiating in 1983 to manage the new Madison Hotel and the takeover was subsequently announced in early 1984. These two new affiliations should help to diversify and strengthen an increasingly competitive market.

Overall, occupancies remained soft with an aggregate year-end occupancy in the mid-50 percent range. Area hotels expect a growth of nearly 5 occupancy points and a 10 percent growth in average rate during 1984.

Currently, a 72-room hotel is under construction at the Pike Place Market, and two hotels are proposed for the downtown market. The first is a 300-room Vista International Hotel, proposed as a component of the Harbor Steps project, a mixed-use development near the area of First Avenue and the waterfront. Also, CHG International has plans for an 850-room hotel to be located at the proposed convention center site. This site will actually be a structure built over a segment of the U.S. Interstate 5 freeway, which runs through downtown Seattle.

In the Bellevue/Redmond market area, located six miles east of Seattle, the lodging market continued to strengthen during 1983. This market area is expected to grow substantially over the next decade primarily due to the expected growth of light industrial and high-technology business. A 110-room Brock Residence Inn opened during spring 1984. No other hotels are proposed for this area.

In the Tacoma market, 35 miles south of Seattle, a 328-room Sheraton Hotel opened in May 1984. This will be the first major hotel constructed in Tacoma in several decades and is a major component to the revitalization of its downtown market area. The developer of this project is Cornerstone Development, a subsidiary of the Weyerhaeuser Corporation. In addition, a 165-room hotel is under construction near the new Tacoma Dome, and a 150-room Holiday Inn is proposed for the same area.

The outlook for the lodging industry in the Seattle market area is good due to several factors:

- Construction of the proposed Washington State Convention Center is expected to begin in 1984 and is projected to open in 1987. This will significantly enhance the market's position in attracting major conventions to the area.
- The Northwest's tourism industry continues to grow as a result of the state's promotional program to attract visitors from domestic markets as well as from the Far East. Increased arrivals from this

part of the world are establishing Seattle as the new gateway to the West.

- Trade with "Pacific Rim" countries is expected to increase substantially during the next decade, and the Northwest should benefit from this growth due to Seattle and Tacoma's fine port facilities.
- Office building construction continues in the downtown area, the most notable of which is the 1.5 million-square-foot, 76-floor Columbia Center scheduled to open in 1985.

These changes, although not immediate, should help to ensure the long-term stability of the Seattle market area.

Craig S. Schafer
Andrew N. Olsen
Seattle

From South Florida

During 1983, South Florida lodging facilities achieved an average annual occupancy rate of 57.7 percent, representing a 0.3 percent decline in occupancy from the 1982 level. The decline is primarily attributed to the 11 percent increase in room supply since total rooms sold by South Florida lodging facilities actually increased 9 percent compared with 1982. The average room rate for the market area was $64.46, a decrease of 0.1 percent. This slight decline was accompanied by a decrease of 0.4 percent in total room sales. Because the lodging industry tends to follow national economic recovery by up to 18 months, such slight declines may indicate optimism for South Florida's lodging performance in 1984.

Projected market performance for 1984 indicates that area occupancy could be as high as 58 percent, on par with the 1983 rate. However, this maintenance of current levels would be present in a growing market area, with the completion of new properties resulting in an additional 12 percent increase in available rooms.

Advance reservations from the group meeting and corporate markets have led the headquarters hotels for conferences to moderately increase their published room rates for 1984. We expect the most competitive properties to increase their published rates to some extent, but average room rates for the market as a whole probably will not rise in 1984.

Palm Beach properties are projected to maintain their occupancy rates and show moderate increases in published rates for 1984. Several factors will impact occupancy in this market area. The openings and expansions of several high-technology companies are expected to increase the commercial market demand base. The new Palm Beach County Tourist Development Council has been directing marketing efforts toward the tourist segment in an attempt to increase demand during the shoulder and summer seasons. A 250-room Airport Hilton is currently under construction, while two more first-class facilities are proposed for Boca Raton and Deerfield Beach. Palm Beach is increasing its continuing efforts to capture demand from the commercial segment and expand already established markets. This will potentially stimulate the need for new hotels to accommodate the growing demand.

Broward County, particularly in the Fort Lauderdale area, is likely to exhibit improved occupancy rates due to the following considerations that will impact the area:

- A resurgence in hotel activity is expected for the area, which is largely a function of more increased tourist demand from the Northeast and Canada.
- Redevelopment of the Bonaventure Inter-Continental Hotel (504 rooms) and Marriott's new entry into the market, The Fort Lauderdale Beach property (648 rooms), currently scheduled to open in fall 1984, are likely to increase Fort Lauderdale's appeal for group activities.
- Broward is evolving into a growing commercial center resulting from an improving local economy concurrent with the construction and relocation of high-technology companies in the North Broward area.

The Miami International Airport sector will maintain its position in the marketplace for 1984. The continued growth of Miami as an international trade center has resulted in hotel development near the airport, including the recently opened 341-room Radisson Hotel and a 155-room Days Inn, scheduled for completion in fall 1984. Approximately 600,000 square feet of office space is also under construction in this sector.

New properties such as the Hilton Blue Lagoon and the Radisson Hotel, and the addition of more trade mart space adjacent to the Radisson, are expected to attract group activity. The increased room supply and the completion of office space should enable properties here to capture more of the commercial lodging market. The improvement in the quality of airport properties and an increase in meeting activity at airport locations will also have a positive impact in 1984.

Overall demand in downtown Miami is expected to grow substantially in 1984 due to the recent development of a large number of first-class hotels in the sector. These include the Holiday Inn, Brickell Point; the Hyatt Regency Miami; the Pavillon (run by Trustehouse Forte), and the Marriott, Plaza Venetia. In the past, travelers utilized other area properties due to the lack of properties in downtown Miami. However, because the market must still absorb these new units, occupancy projections are expected to reflect slight declines for 1984, and average room rates should maintain 1983 levels or possibly decline slightly due to higher levels of first-class competition.

Significant changes are also planned for Miami Beach. The Florida legislature, Dade County, Miami and Miami Beach have approved a 3 percent bed tax, which will be used for the redevelopment of convention facilities that are in need of expansion and modernization and to fund new smaller convention facilities in Miami. This implies a large shift in the nature of lodging demand from a traditionally tourist market to a location for group meetings and conventions.

First-class hotels such as the Fontainebleau Hilton and Sheraton Bal Harbor have funded capital improvements in the past, creating a highly competitive niche for themselves in the marketplace—especially with the growing shift in demand. Many of the older, moderate-class properties located in this sector are unable to compete for transient and group business

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and have turned to the sale of long-term hotel room leases to individual investors.

Overall, South Florida hoteliers will share in the benefits provided by improving national economic conditions. There is evidence that new tourism trends are evolving in South Florida. Commercial travel is expected to increase in 1984 as local area businesses grow and expand. Spending patterns associated with corporate and association meetings are expected to rebound, and this should effectively increase lodging demand from this growing market. South Florida offers a variety of meeting destination alternatives including conference centers and new hotel properties geared toward the convention/group market. In light of the changing competitive environment, individual hotel performance is likely to become more dependent on the ability of marketing efforts to attract tourist, group and commercial demand.

M. Chase Burritt
Miami

From Tulsa

Additions to Tulsa's lodging supply during 1983 totaled 570 rooms including a 338-room Marriott Hotel, a 168-room Lexington Motor Inn and a 64-room addition to the Residence Inn. This 9.5 percent increase in room supply occurred at a time when demand from the oil and natural gas industry sector continued to be soft. This yielded an average market occupancy of 53 percent, down sharply from the 60 percent level achieved in 1982. Average room rates have also declined from $34.75 to $31.00, the result of price-cutting and discounting by properties. Several projects conceived of and started in 1981 and 1982 opened in early 1984 including:

- A 390-room Sheraton-Kensington Hotel, part of the Kensington Galleria mixed-use development, which also includes 165,000 square feet of commercial office space and 190,000 square feet of retail space, anchored by a Sakowitz department store.
- A 120-room Rodeway Inn located in eastern Tulsa along Interstate 44.
- A 90-suite Brookhollow Inn in southern Tulsa offering two-room suites and complimentary breakfast to guests.
- A 50-suite Lagniappe Inn, an upscale all-suite property providing first-class amenities.
- A 200-room TraveLodge Motel in Broken Arrow, Oklahoma (in the southeastern part of Tulsa), which will provide meeting and banquet facilities for more than 450 people.

Major projects presently under construction in Tulsa include a 370-room Doubletree Hotel as part of Warren Place, a 2.7 million-square-foot office complex and a 248-suite Granada Royale Hometel, the first in Oklahoma.

The majority of this new development is located in south suburban Tulsa, a burgeoning office and residential market.

The Tulsa Convention Center has been expanded with 103,000 square feet of additional exhibit space, 22,000 square feet of gallery space and seven new meeting rooms. The expanded convention center and increased hotel supply will give Tulsa the opportunity to compete more directly in the regional and national convention markets.

The depressed oil industry and significant recent and anticipated additions to room supply will probably lead to continued softening of market occupancy.

Jeffrey K. Marvel
Richard M. Niedbala
Kansas City

From Upstate New York

Plagued by the recession during 1981 and 1982, Upstate New York has since experienced a strong recovery resulting in an approximate 5 percent growth in room-nights, a 5 percent increase in the average rate per occupied room and substantial increases in lodging supply from 1982 to 1983. The strengthening of the air transportation network, the redevelopment of downtown areas, and suburban office and retail development have contributed to this growth.

A large percentage of new lodging development has been in the economy market, with chains such as Luxury Budget Inn, Econo Lodge, Red Roof Inn, Super 8 and Days Inn among the most prominent. Literally every major lodging market has had an increase in economy lodging supply during 1983. This trend is undoubtedly going to continue through 1984 as evidenced by recent development activity, proposals and rumors.

The lodging industry in greater Albany has experienced significant growth in room supply over the last two years. This growth has occurred primarily in the economy lodging market. In 1983, the lodging market experienced moderate growth in occupancy as economy properties reported strong levels. Overall area occupancy was approximately 65 percent, up 3 percent from the previous year.

The Albany area is experiencing significant general commercial growth. Downtown Albany is presently the site for substantial urban renewal. One example of this renewal is the purchase of Union Station railroad terminal by Dorster Bank Corporation, Inc. Dorster intends to develop this facility into approximately 30,000 square feet of top-quality office space. A 10,000- to 15,000-seat sports arena is presently under consideration in the Albany area by the Urban Development Corporation, a New York State Agency. Also, several office parks are under construction in the area. The largest is the Corporate Woods development, which is to include 1.5 million square feet of top-quality office space.

Additional lodging facilities are planned for Albany. The largest of these facilities is Interstate Hotel Corporation's Marriott, located on Wolf Road. This project will include 300 rooms and be the anchor for a mixed-use development with light industry, retail, residential and commercial space. Red Roof Inn also plans to develop its first property in this area—a 116-room budget property on Wolf Road.

The future of the Albany market is one of stable growth in lodging demand as general commercial growth accelerates over the next five years.

The Syracuse lodging market has exhibited the highest 1983 occupancy of the entire Upstate New York region. Spurred by continued growth of the city's largest employers, as well as a strong economic recovery, combined occupancy for the three submarkets described below increased 4.5 percent from 63 percent in 1982 to 68 percent in 1983.

Downtown Syracuse operated at an area-wide occupancy of 63 percent in 1983, an increase of 2 percent from 1982.

Average rates per occupied room increased approximately 3 percent from 1982 to 1983. The 725-room Hotel Syracuse was renovated and the attached Hilton Towers was constructed in 1981. These facilities continue to satisfy the prime office space tenants in the downtown area. A 232-room Sheraton Inn, which includes a conference center, is under construction on the campus of Syracuse University.

The north Syracuse/airport sector of the lodging market, containing over 1,000 hotel rooms at present, is the largest lodging market in the Syracuse area. Focused around a 288-room Sheraton Inn, a 167-room Holiday Inn, a 144-room Ramada Inn and a 151-room Hilton, the area has experienced a 1.5 percent increase in occupancy to 72 percent in 1983. Average rates per occupied room, although lower than in the downtown sector, increased approximately 5 percent from 1982 to 1983. An 84-room Luxury Budget Inn, part of a regional economy lodging chain, opened in February 1984, spurring interest among other economy chains.

The east Syracuse market sector lies east of the airport market along the New York State Thruway and is focused around Carrier Circle. Anchored by the 250-room Marriott Hotel built in 1977, the market experienced a 3 percent increase in occupancy from 1982 to 1983, finishing the year at 76 percent. Average rates per occupied room increased 7.5 percent over 1982. Carrier Circle is one of the strongest commercial lodging markets in the entire Upstate New York region. Since the opening of the 100-room Luxury Budget Inn in late 1982, there have been no increases in supply; however, the strength of the market and the availability of a few sites are attracting many national economy hotel developers.

The city of Rochester obtained an estimated annual occupancy of 68 percent in 1983. Although this occupancy is consistent with the national average, hotel development is still strong. Currently, there are five existing properties in the city of Rochester and six at the airport. Year-end occupancy for downtown Rochester properties was 60 percent while year-end occupancy at airport properties was 76 percent. This disparity is due, in part, to a poor perception of downtown Rochester where the two largest hotels are located and to the convenience of the airport properties. However, the city is attempting to improve its image by encouraging commercial and retail growth.

The Rochester Riverside Convention Center is scheduled for operation in 1985 and is projected to increase area-wide occupancy to 74 percent. This would represent an 8 percent change in area-wide occupancy; however, the addition of a 350-room Hyatt Hotel in 1986 is estimated to lower area-wide occupancy to 70 percent in 1986. It is forecast that occupancy would level off at 74 percent in 1989.

Area-wide demand is expected to increase at a modest rate of 3 to 5 percent over the next five years in the city of Rochester. The Riverside Convention Center will contribute significantly to the increase in occupancy, but corporate layoffs and reduced commercial travel will have a negative effect on overall demand growth.

Rochester continues to be a major tourist attraction for many New York State residents. The lilac festival and Lake Ontario attract thousands of people each year. Present trends indicate that the tourist and leisure market segment will demonstrate steady growth through 1985.

Even with the relatively modest area-wide occupancies, research indicates that hotel and economy motel development is highly active in the city of Rochester and surrounding suburbs.

In recent years, Buffalo, New York has been characterized as an economically depressed city, suffering the losses of its major industrial producers and an unemployment rate considerably higher than that in the United States on a whole. While area-wide occupancy dropped 22 percent from 1979 to 1981 to a low of 55 percent, Buffalo is now experiencing a comeback. Area-wide occupancy has risen to 66 percent by year-end 1983, while average rates per occupied room have increased at the current rates of inflation instead of at half of the inflation rate, as they did annually from 1979 to 1981.

The downtown Buffalo lodging market experienced several changes recently. The Buffalo Statler converted its 300 rooms to office space in mid-1983. The 440-room Hyatt Regency opened in February 1984. The Holiday Inn-Downtown refurbished and renovated all its rooms and public space during 1983. Area-wide occupancy for downtown properties increased 6 percent in 1983 compared with 1982 for a total of 61 percent. This was primarily a result of the decrease in available room-nights rather than demand growth. The outlook for the future of downtown lodging operations is positive due to completion of a downtown retail mall and subway line, development of a high-technology corridor and contemplation of a professional sports complex.

The airport/Amherst lodging market sector (east and northeast of downtown) has experienced the highest occupancies in the Buffalo area for the past five years. In 1983, area-wide occupancy increased 4.5 percent from 67 percent in 1982 to 70 percent. Over the same period, average rates per occupied room have experienced minimal increases. The 365-room Marriott Hotel in Amherst, which opened in early 1982, has been the leader in the market. The 280-room Executive Inn, adjacent to the airport, has completed a renovation and will soon become affiliated with Ramada Inns, Inc. Both the Holiday Inn-Amherst and Holiday Inn-Airport have recently completed renovations. The economy hotel chains have discovered this sector of Buffalo, and a 110-room Red Roof Inn opened adjacent to the Marriott in Amherst. An 84-room Luxury Budget Inn opened in February 1984 at the airport adjacent to the Holiday Inn and a 120-room Days Inn is scheduled to open in fall 1984.

The surburban/south towns sector of the Buffalo area includes Interstate 190 and Interstate 90 properties south and southeast of downtown. This area suffered most from the recession due to its reliance on the steel industries in Lackawanna. Occupancies declined 25 percent from 1979 to 1982 and have increased slightly from 1982 to 1983 to 63 percent. The 300-room Sheraton in Cheektowag, renovated in 1982 by new management, has continued to be the full-service leader in the market. The 109-room Red Roof Inn, located in Hamburg adjacent to the Holiday Inn, achieves a higher occupancy rate than any other property in the Buffalo area and since its opening in late 1981, has hurt the performance of other Hamburg properties. Economy lodging chains have also considered the area for future development.

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Roger T. Clark
Brian Finneran
New York

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From Washington, D.C.

The performance of the Washington lodging industry improved significantly in 1983. The average annual occupancy for all metropolitan-area hotels was approximately 69 percent, a 10 percent increase compared with the 1982 level. Hotels in the District of Columbia and Northern Virginia reported the greatest annual occupancy gains. Favorable occupancy trends for the area's lodging industry can be attributed to the continued popularity of the region's historical attractions; the influence of the Federal government, foreign embassies and headquarters of many national associations; and the overall improvement in the national economy.

Room rates, however, remained about the same throughout the Washington metropolitan area. The 1983 average annual room rate was approximately $63, about 1 percent higher than the annual average for 1982. While hotels in the District of Columbia reported the highest average annual rate of $72, they experienced the smallest increases from 1982 rates.

Several new hotels opened in 1983. Three, containing a total of approximately 600 guest rooms, opened in downtown Washington's financial district. Seven hotels, with a total of approximately 1,300 guest rooms, opened in the suburban office centers situated along the Washington Beltway (I-495) that circles the city.

A number of other projects are presently under construction, planned or proposed for development. In the District of Columbia, the new Washington Convention Center is beginning to generate additional room demand and has stimulated interest on the part of several developers looking to build new convention properties in the downtown corridor. The convention center, now in its second year of operation, contains approximately 382,000 square feet of exhibition space and 37 meeting rooms with capacities ranging from 50 to 14,000 persons. The Washington, D.C. Convention and Visitors Association has undertaken an aggressive marketing program to gain national recognition for Washington as a major convention destination, and projects that a total of approximately 250,000 convention delegates will generate nearly 750,000 room-nights for area hotels in 1984.

Residential, commercial, and research and development activity continue in Washington's suburban office centers, particularly in the Tysons Corner area in northern Virginia and the I-270 and I-95 corridors in suburban Maryland, and has generated a variety of hotel development activity. The proximity to Federal government installations and the convenience provided by the area's expanding rapid transit system enhance the attractiveness of these areas in terms of hotel development.

The accompanying table summarizes hotel development recently completed or currently underway in Washington's downtown and suburban markets.

In addition to the projects listed in the table below, several others that would yield more than 4,400 rooms are proposed. Hotel developers are primarily focusing their activities in the vicinity of the convention center, downtown and Tysons Corner in northern Virginia.

Based on the magnitude of hotel development in Washington, many of the existing hotels have recently, or are currently, renovating and upgrading their facilities to compete more directly with the new hotels. Although growth in demand is projected to continue, offering quality facilities and competitive rates and use of sophisticated managerial and marketing techniques will all play an increasingly important role in an operation's ability to attract its target lodging markets in the upcoming year.

W. Wesley Ayre
Douglas Henry
Washington, D.C.

Area	Property	Rooms	Year of Opening
District of Columbia	J.W. Marriott Hotel*	774	1984
	Phoenix Park*	84	1984
	Regent*	265	1984
	Bristol Hotel	240	1984
	Washington Plaza Hotel*	350	1984
	Sheraton Capital Place	273	1985
	Ritz Carlton (expansion)	100	1986
	Westin	416	1986
	Willard Hotel	395	1986
Total: District of Columbia		2,897	
Northern Virginia	Days Inn—Springfield	179	1984
	Embassy Suite—Tysons Corner	223	1984
	Holiday Inn—Fair Oaks	252	1985
	Holiday Inn—Tysons Corner (addition)	100	1985
	Brock Residence Inn	96	1985
	Radisson Mark Center Plaza	500	1985
	Embassy Suite—Crystal City	265	1986
	Ramada Renaissance	250	1986
Total: Northern Virginia		1,865	
Suburban Maryland	Red Roof Inn*	116	1984
	Quality Inn—Gaithersburg	104	1984
	Best Western—Laurel	125	1986
	Hilton—Greenbelt	300	1986
	Hyatt Regency—Bethesda	384	1986
Total: Suburban Maryland		1,029	
Total: Metropolitan Washington		5,791	

*Recently opened

From Wichita

Recovery of the aircraft production industry, a dominant economic base in Wichita, is reflected in the city's 1983 occupancy and average daily rate increases. Average occupancy for Wichita area lodging properties climbed to 59 percent, an approximate 7 percent increase over the 1982 level of 55 percent. The city's average daily rate increased approximately 3 percent to $44.

As the city plans for the 1984 expansion of its convention center, Century II, Wichita hotels are remodeling and some room additions are planned to accommodate the anticipated increase in demand. Current plans for the Century II expansion include 100,000 square feet of exhibit, meeting and ancillary space.

The Hilton Inn-Airport plans to complete a 128-room expansion, including an additional 6,000 square feet of meeting and banquet space, and the remodeling of the food and beverage outlets by December 1984. A convention hotel is proposed adjacent to the Century II, and the downtown Broadview plans to complete an extensive renovation by mid-1984.

If conditions in the aircraft industry continue to improve, market occupancies also should rise, with the limited supply additions currently anticipated.

Jeffrey K. Marvel
Carol E. Maney
Kansas City

THE U.S. LODGING INDUSTRY

by Randell A. Smith
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Introduction

This is Laventhol & Horwath's 52nd annual in-depth analysis of the lodging industry. Over that time, this report has become recognized as the single most authoritative study on the U.S. lodging industry available today. The information in this series of reports provides an understanding of the operating characteristics of the industry for the preceding year and is useful for analyzing trends in revenue and expenses over successive time periods. This information is also useful as a guide for comparing the operating performance of individual establishments with that of comparable properties.

In preparing this year's study, Laventhol & Horwath distributed 3,000 questionnaires to the firm's practice offices in February and March 1984. In addition, we contacted several major chains to obtain information about the properties they operate. The Research and Development Division of L&H subsequently obtained data for nearly 650 properties. After careful review for reasonableness and accuracy, 565 questionnaires were used in compiling the data for this study.

This represents a broad cross section of the industry with total sales of approximately $4.5 billion in 1983. The information for these properties is broken down into separate categories and includes medians, quartiles and arithmetic means for 42 different groups. Supplementary information on source of business, composition of lodging demand and other relevant marketing statistics along with credit and collection data are also presented.

Bases of statistics

The statistics presented in the report have been computed on the three most common bases used to analyze operating results of lodging enterprises: annual amounts per room, ratio to room sales and ratio to total sales. Readers not familiar with L&H's lodging industry reports, especially those who are not well acquainted with hotel financial statements, are advised to read "Bases and Significance of Hotel Statistics," which is Chapter 28 of the fourth revised edition of *Hotel Accounting*, published in 1978 by the Ronald Press Division of John Wiley &

Sons. This material is essential to understanding and using the statistical information in this report.

Most of the figures used in this study are medians and upper and lower quartiles and do not necessarily add to the totals shown. Each line item has been analyzed separately and the medians are based on the information submitted for that line item only, since all establishments did not report data for each line. We also use the arithmetic or weighted mean where appropriate. For example, the figures in "The U.S. Lodging Industry Dollar" (page 36) are based on weighted means to express absolute values rather than the relative position of the operating results of the establishments in the sample, which are shown by the medians and quartiles. The figures are intended to be used as guidelines, not standards or goals. They are not an attempt by L&H to set or conform prices or operating ratios for the industry.

Profile of contributors

Exhibit 1 defines the typical contributor to this study based on various measures of central tendency such as the mean, median and mode. As the exhibit shows, the typical contributor to this study is fairly representative of the large number of chain-affiliated properties built in the United States in the last decade.

The highlights of this year's study, again using the various measures of central tendency, are shown in Exhibit 2. After four years of continuing declines, the long-awaited revival in room night demand occurred in the second half of 1983 as year-end occupancies rose slightly to 66.1 percent. This small increase in occupancy, combined with the 7.2 percent increase in room rates, enabled participating properties to increase total revenue by 9.7 percent on a per room basis. However, rising costs prohibited operators from realizing increased profits as net income before income taxes fell by more than 25 percent.

The source and distribution of the 1983 U.S. lodging dollar (compared with the

Exhibit 1
General Profile of Typical Contributor
Based on Various Measures of Central Tendency

Criteria	Category of Typical Contributor
Age	Built between 1970 and 1980
Size	150–300 Rooms
Occupancy	60%–69%
Average Rate	$45–$54.99
Sales Volume	$2.5 million–$5 million
Restaurant Operation	Operated a restaurant in which the volume of food and beverage sales was less than 50% of room sales.
Other Management Operation Results	Affiliated with a chain; reported net income before income tax in 1983.

Exhibit 2
Highlights*

- Total revenue increased 9.7 percent on a per room basis to $18,118.
- Room occupancy increased slightly to 66.1 percent compared with 66 percent in 1982.
- The average daily rate per occupied room was $46.67 compared with $43.55 in 1982, an increase of 7.2 percent.
- Payroll and related expenses per room increased 11.7 percent from $5,334 to $5,960.
- Income before income taxes decreased 25.7 percent on a per room basis to $773. As a ratio to total sales, income before income taxes was 4.6 percent in 1983 down sharply from last year's 7.0 percent.

* Based on medians.

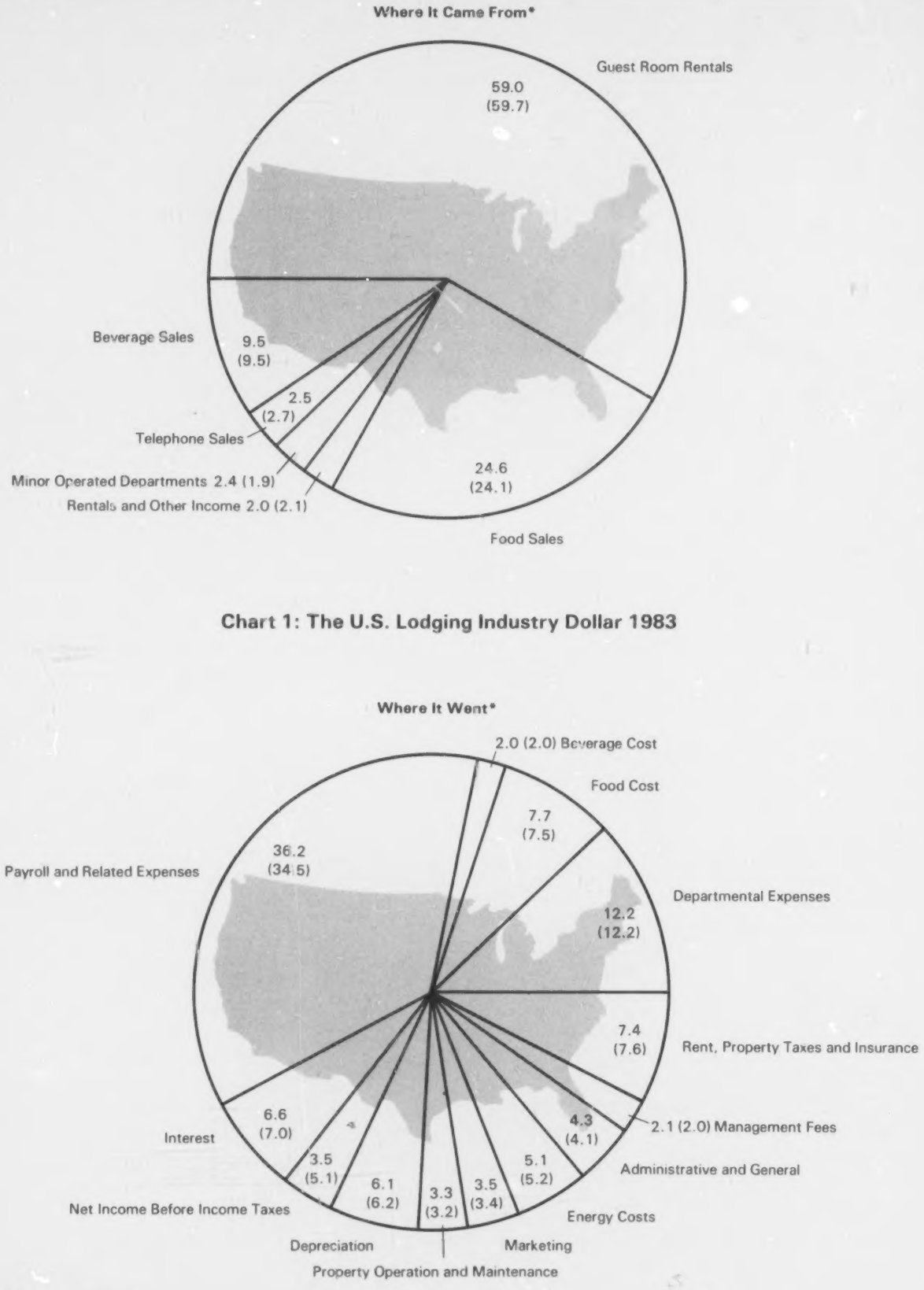

Chart 1: The U.S. Lodging Industry Dollar 1983

*Based on the weighted mean.
1982 amounts (in parentheses).

previous year) are shown in Chart 1, based on the weighted mean of the responses received. As this chart illustrates, the portion of revenue generated from each source remained near 1982 levels with the exception of revenue generated by minor operated departments, which increased from 1.9 percent to 2.4 percent in 1983.

On the distribution side, the allocation of revenue varied considerably from 1982 results. Increases in payroll and related expenses and food costs were noted. The higher portion of revenue demanded by these sources was partially offset by declines in all fixed cost items. This is the second consecutive year that declines in fixed costs have been reported by contributors to this report.

This shift in the allocation of resources had the net effect of forcing net income before income taxes to decrease to 3.5 percent in 1983 from 5.1 percent in 1982. Since 1980, profit margins have fallen 72.2 percent, dramatically highlighting the difficulties experienced by the lodging industry during the early part of the 1980s.

Market data

Information on source of business, the composition of market, the percentage of advance reservations and the source and composition of advance reservations is presented in Exhibit 3. In addition to providing this information for the entire sample, detail is shown by location and market (all participating hotels were classified either as a convention hotel or other). In the analysis by market, a convention property was defined as a facility with 40 percent or more of its business stemming from conference participants.

Business travel was up for most segments of the lodging industry in 1983 as the rebounding U.S. economy signaled the reversal of the declining trend in occupancies that have been evident for the past several years. However, declines in the number of guest nights generated by tourists partially offset the rise in business travel—the reporting properties experienced only the slightest increase in overall demand. Conclusions based on total year results for composition of market must be tempered by the fact that increased demand for lodging was not strong until the second half of 1983. Therefore, the analyst is cautioned that

Exhibit 3
Market Data*

	All Establishments	Location					Market	
		Center City	Airport	Suburban	Highway	Resort	Convention	Other
Source of Business								
Domestic	91.0%	90.1%	92.1%	93.4%	96.9%	85.6%	90.3%	89.4%
Foreign	9.0	9.9	7.9	6.6	3.1	14.4	9.7	10.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage of Repeat Business	50.8%	42.6%	52.6%	56.3%	60.9%	47.2%	39.0%	50.1%
Composition of Market								
Government Officials	5.7%	7.9%	4.2%	6.0%	9.2%	1.0%	2.8%	7.2%
Businessmen	38.1	37.4	52.6	49.4	53.1	9.0	15.8	39.1
Tourists	27.4	16.2	18.4	21.6	19.3	57.3	13.0	48.4
Conference Participants	22.0	28.5	16.8	18.4	9.9	28.8	61.6	2.8
Other	6.8	10.0	8.0	4.6	8.5	3.9	6.8	2.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage of Advance Reservations	79.0%	77.3%	73.7%	77.1%	73.5%	88.8%	87.8%	69.4%
Composition of Advance Reservations								
Direct	45.0%	45.1%	39.8%	48.5%	38.3%	48.5%	44.2%	46.2%
Reservation Systems	28.0	27.3	32.8	27.9	38.2	19.9	28.8	27.7
Travel Agents & Tour Operators	17.2	17.9	18.0	15.5	14.2	19.8	17.2	16.2
Other	9.8	9.7	9.4	8.1	9.3	11.8	9.8	9.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Ratio of Travel Agent Commissions to Room Sales	0.8%	0.9%	1.2%	0.6%	0.6%	1.9%	1.0%	0.8%

*Based on those supplying detail.
Arithmetic mean.

while year-end results are presented for this exhibit, 1983 was actually characterized by two different lodging markets. The first half of the year saw a continuation of the declining occupancies that had been reported over the past four years, while moderate but broad based increases in room night demand were evident in the second half of 1983.

The information provided in Exhibit 3 can be particularly useful in determining the customer mix of specific segments of the lodging industry. In addition, by gaining an understanding of their customer base and how these people plan for their stay, operators will be in a better position to meet the needs of their guests.

Exhibit 4 shows the nationality of guests staying in establishments located in the different regions of the country. As expected, Canadian and Mexican travelers make up the bulk of international guests at U.S. hotels. On a regional level, however, some particular preferences by various nationalities become evident. For example, a large proportion of Japanese guests stayed in the West, while South American travelers tended to stay in the Southeast. Operators within a specific region can use this information to develop marketing strategies that reinforce the attractiveness of their area to nationalities who are already frequent visitors or to market their area to those nationalities who do not currently travel to that region.

Exhibit 4
Nationality of Guests*

	All Establishments	By Area				
		North-East	South-East	North Central	South Central	West
U.S.A.	86.6%	88.8%	80.8%	90.8%	89.5%	85.3%
International	13.4	11.2	19.2	9.2	10.5	14.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Other Nationalities—Ratio to Total International						
Canadian	33.6%	41.8%	39.9%	41.0%	17.7%	28.3%
Mexican	12.6	2.8	3.1	8.1	47.9	8.6
South American	8.8	5.0	18.9	1.6	2.7	2.1
British	8.5	10.1	10.9	8.4	2.7	8.9
Japanese	7.5	5.1	2.1	11.6	6.8	17.8
Central American	5.9	3.9	10.7	1.4	5.7	N
French	5.3	10.0	3.1	3.9	6.0	7.8
Other European	4.6	5.0	3.0	9.5	3.0	6.0
German	4.3	4.4	3.9	4.2	1.8	7.9
Scandinavian	2.3	2.8	3.0	2.5	2.7	N
Middle Eastern	2.0	1.8	1.4	1.8	3.0	2.1
Other Asian	1.9	4.4	N	1.4	N	5.0
Australasian	1.4	N	N	2.8	N	3.9
Italian	1.1	1.8	N	1.8	N	1.8
North African	N	1.1	N	N	N	N
Other African	N	N	N	N	N	N
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Arithmetic mean. Based on those supplying detail.
N—Negligible.

Exhibit 5

Comparison of Sales and Profitability by Selected Criteria

	Total Sales		Income Before Fixed Charges		Net Income (Loss) Before Income Tax	
	1983	1982	1983	1982	1983	1982
Age						
Built Pre-1940	$28,152	$26,032	$4,538	$2,511	$ 423	$ (533)
1940–1959	17,229	15,000	4,786	4,433	1,464	1,488
1960–1969	15,611	14,438	5,023	4,318	1,763	1,807
Post 1969	18,052	15,842	5,297	4,788	763	815
Size						
Under 150 Rooms	$14,145	12,837	3,925	3,811	755	862
150–299	16,581	15,359	4,860	4,154	1,010	1,096
300–600	24,034	23,618	5,261	5,739	9	1,359
Over 600	31,180	28,986	8,491	7,146	1,479	639
Rate						
Less than $35.00	9,965	9,980	2,376	2,850	(295)	769
$35.00–$44.99	14,354	14,980	4,611	4,154	1,239	1,476
$45.00–$54.99	19,943	19,146	5,294	4,596	973	1,141
$55.00 and over	29,220	28,776	7,416	7,477	651	1,275
Occupancy						
Under 50%	13,012	12,342	1,374	1,145	(1,481)	(1,680)
50–59%	17,382	14,080	2,781	2,680	(528)	(446)
60–69%	17,163	16,447	4,768	4,258	521	861
70–79%	19,725	18,083	6,837	5,970	2,775	2,108
80% & Over	21,832	19,721	7,875	7,053	3,734	4,050
Restaurant Not Operated	9,299	9,588	4,474	4,457	1,260	1,666
Restaurant Operated—Total Food & Beverage Sales Ratio to Room Sales						
Under 50% of Room Sales	$15,876	14,769	5,550	4,509	1,940	1,792
50–74%	20,057	19,402	4,213	4,557	153	211
75–99%	24,550	22,515	4,383	4,449	(542)	(134)
100% & Over	26,544	24,251	4,649	2,766	(1,289)	(2,767)
Median, All Establishments	$18,118	$16,519	$4,911	$4,430	$ 773	$1,049

Performance measurements

The next six exhibits (5–10) present several of the key performance measurements used to gauge the overall health of the industry. Exhibit 5 compares the median amounts of total sales, income before fixed charges and net income before income taxes for the past two years for selected categories. Generally, contributing properties reported increases in total sales and, through efficient operation, were able to convert this additional revenue into higher income before fixed charges on a per room basis. This increased income did not mean higher profits, however, as income before income taxes was lower for most of the categories covered in this analysis.

One interesting tendency over the past two years is found in the operating results of hotels reporting a high level of food and beverage sales in relation to room sales. The higher the level of food and beverage sales, as a ratio to room sales, the lower the level of reported net income before income taxes. This seems to indicate that unless a hotel has room sales to support an ambitious food and beverage operation, the overall effect on operations is going to be negative.

Exhibit 6 presents the ratio of income before fixed charges to room sales and to total sales, as well as the number of times the average rate was earned for 1982 and 1983. For the second consecutive year, declines in all three measures were reported for the entire sample, although these were not as severe as the declines reported in last year's study. The turnaround in room night demand that occurred in the second half of the year probably prevented significant erosion of these measures in 1983.

In previous reports, several measures of return on investment (ROI) normally used to gauge management performance were presented in this section. Due to the small number of properties providing sufficient detail to perform this analysis, measures such as turnover, earnings ratio, return on invested capital and return on equity were not computed. Of those who did provide the necessary data, it appeared that declines in these measures were not uncommon.

Exhibit 6
General Statistics

	Ratio of Income Before Fixed Charges to				Number of Times Average Rate Was Earned	
	Room Sales		Total Sales			
	1983	1982	1983	1982	1983	1982
Age						
Built Pre-1940	38.7%	20.2%	18.0%	9.4%	108	47
1940–1959	43.3	39.0	25.2	26.8	101	106
1960–1969	49.6	45.0	31.8	29.0	122	111
Post 1969	48.7	45.8	28.1	30.7	117	126
Size						
Under 150 Rooms	44.3%	42.8%	26.5%	29.0%	101	113
150–299	44.6	42.1	27.8	26.9	113	109
300–600	37.4	43.2	21.1	24.1	104	112
Over 600	45.2	45.7	25.1	26.9	113	122
Rate						
Less than $35.00	36.3%	40.8%	21.9%	29.3%	79	104
$35.00–$44.99	47.7	44.1	31.3	27.8	122	112
$45.00–$54.99	45.4	42.5	26.2	25.2	110	105
$55.00 and over	40.5	43.1	23.5	25.6	110	122
Occupancy						
Under 50%	24.5%	18.1%	12.7%	8.4%	48	44
50–59%	29.3	32.7	18.4	19.9	69	74
60–69%	42.0	41.7	25.5	26.5	98	106
70–79%	51.6	49.8	31.4	31.9	139	136
80% & Over	50.9	53.1	33.6	35.0	158	172
Restaurant Not Operated	49.6%	51.9%	46.2%	45.6%	127	145
Restaurant Operated — Total Food & Beverage Sales Ratio to Room Sales						
Under 50% of Room Sales	46.9%	44.1%	32.7	30.5%	121	113
50–74%	36.3	39.4	20.9	22.9	90	105
75–99%	34.6	40.4	17.7	20.7	101	111
100% & Over	41.3	30.0	16.8	9.8	94	89
Median, All Establishments	42.9%	43.0%	26.1%	26.9%	108	111

Exhibit 7
Occupancy, Double Occupancy and Average Rate*

	Percentage of Occupancy		Percentage of Double Occupancy		Average Room Rate	
	1983	1982	1983	1982	1983	1982
Age						
Built Pre-1940	63.2%	67.4%	47.3%	37.9%	$64.33	$64.35
1940-1959	70.8	68.5	56.6	56.6	50.02	38.52
1960-1969	67.3	66.0	40.0	42.7	41.96	39.27
Post 1969	65.7%	66.4%	38.6%	42.0%	$47.43	$41.08
Size						
Under 150 Rooms	66.1%	67.4%	58.2%	46.8%	$37.86	$34.82
150-299	66.8	66.0	30.8	36.0	43.17	40.63
300-600	63.6	65.6	41.0	39.6	57.98	56.91
Over 600	66.6%	65.7%	49.4%	45.7%	$71.15	$69.27
Area						
Northeast	70.3%	71.0%	25.2%	25.6%	$62.29	$62.56
Southeast	66.8	65.4	50.5	54.7	50.68	45.95
North Central	64.1	61.8	38.9	34.3	42.15	40.36
South Central	63.5	68.5	38.7	39.7	41.38	37.41
West	70.5%	71.9%	48.9%	47.7%	$49.76	$49.27
Total Sales						
Less than $2,500,000	63.4%	64.8%	44.4%	42.7%	$35.96	$33.83
$2,500,000-$4,999,999	69.7	68.9	35.7	38.6	44.05	42.63
$5,000,000-$9,999,999	60.5	64.7	34.4	33.4	55.19	52.79
$10,000,000 & Over	69.9	70.4	45.2	44.8	71.49	71.45
Restaurant Not Operated	71.1%	70.9%	50.8%	49.0%	$31.93	$32.16
Restaurant Operated—Total Food & Beverage Sales Ratio to Room Sales						
Under 50% of Room Sales	70.1%	69.6%	34.7%	40.8%	$43.51	$40.32
50-74%	63.5	66.2	37.4	37.5	50.58	49.43
75-99%	60.9	62.5	42.1	33.6	55.78	50.82
100% & Over	60.4	57.3	44.8	40.8	49.32	48.46
Median, All Establishments	66.1%	66.0%	40.0%	40.1%	$46.67	$43.55

*All figures are medians.

The three most commonly used measures of trends in the lodging industry—the percentages of occupancy and double occupancy and the average room rate (room sales per occupied room)—are shown in Exhibit 7 for the entire sample and for selected breakdowns. Most segments of the industry reported occupancy levels close to or slightly above 1982 results. The only exceptions to this were properties located in the South Central region of the country, which continued to labor under the burdens of a faltering economy, a depressed oil and gas industry and a decline in the number of Mexican travelers. For the entire sample, occupancy rose slightly to 66.1 percent from 66 percent in 1982.

Increases in the average room rate were evident in most industry segments in 1983 as operators tried to increase revenue by raising room rates. This trend toward higher room rates is likely to continue for the next several years even in the face of rising occupancy. However, increases in room rates will be more modest than that realized over the past several years.

The next three exhibits (8-10) present several key performance measures by comparing related categories. Exhibit 8 shows the difference between properties reporting net income before income taxes and those reporting a net loss. Exhibit 9 shows the difference between chain-operated establishments and those operated independently. Exhibit 10 provides a comparison by the various locations and contrasts their respective performance against last year (1982).

As shown in Exhibit 8, the properties reporting net income achieved considerably higher occupancies than those reporting a net loss. In addition to this key indicator of profitability, other major differences can be observed between these two groups. One is the substantially higher level of fixed charges reported by the net loss group. Also of note is that net loss properties reported higher levels of revenue generated by both food and beverage sales. While this finding may be surprising it is consistent with the results reported in Exhibit 5, which illustrates that the higher the level of food and beverage sales, as a ratio to room sales, the lower the reported profitability.

While chain-affiliated properties reported considerably higher occupancy rates than independently operated properties, the latter group reported total sales per room 29.5 percent higher. This is partially the result of higher room rates; but more significantly, it stems from a double occupancy rate that is nearly 80 percent higher than for chain-affiliated properties. Despite much larger payroll and related expenses and fixed charges, 63.5 percent and 47.6 percent higher respectively, independently operated properties were able to generate income before income tax only slightly below their chain-affiliated counterparts. Exhibit 9 presents the full detail of the comparison by affiliation.

Exhibit 10 provides a comparison of key measurements of industry performance by location type. This information can be useful in determining the impact of economic conditions on various segments of the lodging industry. In addition, some of the data contained in this exhibit can give the analyst an understanding of the steps taken by operators to combat difficult economic periods.

Exhibit 8
Net Income Differential*

	Lodging Facilities Reporting		Net Income Facilities Differ By
	Net Income	Net Loss	
Occupancy	71.1%	59.1%	20.3%
Double Occupancy	41.0	37.0	10.8
Average Rate	$ 46.02	$ 45.44	1.3
Amount Per Available Room			
Sales			
Rooms	$11,887	$ 9,385	26.7
Food	3,548	4,295	(17.4)
Beverage	1,605	1,884	(14.8)
Other	1,012	968	4.5
Total Sales	18,229	16,831	8.3
Payroll & Related Expenses	$ 5,409	$ 6,143	(11.9)
Undistributed Expenses (Excluding Payroll)			
Administrative & General	$ 659	$ 842	(21.7)
Marketing	517	700	(26.1)
Energy Costs	945	1,116	(15.3)
Property Operation & Maintenance	533	539	(1.1)
Income Before Fixed Charges	6,099	2,245	171.7
Fixed Charges	2,872	4,542	(36.8)
Net Income (Loss) Before Income Tax	2,503	(1,725)	—
Number of Times Rate Was Earned	127	65	95.4
Net Cost of Operation Per Dollar of Average Room Rate	$ 126	$ 156	(19.2)
Ratio of Income Before Fixed Charges to:			
Room Sales	50.0%	27.2%	83.8
Total Sales	31.5	15.8	99.4
Cost of Food Sales (After Credit For Employees' Meals)	32.4¢	35.5¢	(8.7)
Cost of Beverage Sales	21.4	22.8	(6.1)
Food and Beverage Departmental Income Ratio to Room Sales	7.9%	7.9%	—
Productivity Index			
Food & Beverage	2.48	2.28	8.8
Total	3.24	2.66	21.8
Balance Sheet Ratios			
Current Position	$ 1.23	$ .70	75.7
Accounts Receivable Ratio to Total Sales	4.1%	4.4%	(6.8)
Food Inventory Turnover	32	23	39.1
Beverage Inventory Turnover	7	7	—
Ratio of Total Sales to Total Assets	101.2%	49.1%	106.1
Ratio of Net Income Before Income Taxes to Total Sales	8.1	(12.2)	—
Return on Total Assets	10.9	**	—

*All figures are medians.
**Insufficient response

Exhibit 9
Independent and Chain Affiliated*

	Independent	Chain-Affiliated	Independent Differs By
Occupancy	60.8%	66.6%	(8.7)
Double Occupancy	64.2	35.7	79.8
Average Rate	$ 51.41	$ 45.25	13.6
Amount Per Available Room			
Sales			
Rooms	$12,032	$11,044	8.9
Food	6,618	3,589	84.4
Beverage	2,521	1,580	59.6
Other	1,571	947	65.9
Total Sales	$22,312	$17,229	29.5
Payroll & Related Expenses	8,889	5,436	63.5
Undistributed Expenses (Excluding Payroll)			
Administrative & General	1,256	$ 714	75.9
Marketing	714	534	33.7
Energy Costs	1,200	969	23.8
Property Operation & Maintenance	748	506	47.8
Income Before Fixed Charges	4,824	5,278	(8.6)
Fixed Charges	4,552	3,084	47.6
Net Income (Loss) Before Income Tax	993	1,189	(16.5)
Number of Times Rate Was Earned	110	114	(3.5)
Net Cost of Operation Per Dollar of Average Room Rate	$ 136	$ 127	7.1
Ratio of Income Before Fixed Charges to:			
Room Sales	43.4%	46.7%	(7.1)
Total Sales	21.6	28.3	(23.7)
Cost of Food Sales (After Credit for Employees' Meals)	37.2¢	33.3¢	11.7
Cost of Beverage Sales	24.7	21.7	13.8
Food and Beverage Departmental Income Ratio to Room Sales	12.9%	7.9%	63.3
Productivity Index			
Food & Beverage	2.54	2.47	2.8
Total	2.98	3.11	(4.2)
Balance Sheet Ratios			
Current Position	$ .95	$ .97	(2.1)
Accounts Receivable Ratio to Total Sales	4.6%	4.3%	7.0
Food Inventory Turnover	25	31	(19.4)
Beverage Inventory Turnover	5	7	(28.6)
Ratio of Total Sales to Total Assets	96.8%	76.8%	26.0
Ratio of Net Income Before Income Taxes to Total Sales	8.1	0.6	—
Return on Total Assets	8.5	10.7	(20.6)

*All figures are medians.

Exhibit 10
Comparison of Data by Location*

	Center City		Airport		Suburban		Highway		Resort	
	1983	1982	1983	1982	1983	1982	1983	1982	1983	1982
Occupancy	61.3%	64.2%	67.5%	66.0%	69.7%	68.8%	64.6%	66.0%	63.6%	65.0%
Double Occupancy	40.6	36.0	27.0	29.0	35.0	41.4	35.7	41.0	73.5	71.6
Average Rate	$ 55.55	$ 56.12	$ 44.15	$ 44.98	$ 41.39	$ 38.04	$ 41.12	$ 38.09	$ 58.27	$ 55.62
Amount Per Available Room										
Sales										
Rooms	$12,178	$12,462	$10,556	$10,444	$10,617	$ 9,632	$ 9,367	$ 9,264	$13,129	$13,724
Food	4,877	4,422	3,530	3,386	3,075	3,218	3,103	2,457	7,263	6,230
Beverage	1,739	1,783	1,506	1,581	1,450	1,783	1,848	1,308	2,411	2,112
Other	1,232	1,018	1,041	746	854	731	748	625	1,508	1,306
Total Sales	$20,683	$19,920	$18,285	$16,475	$15,591	$13,645	$15,374	$14,648	$25,102	$23,993
Payroll & Related Expenses	7,964	7,725	5,826	5,390	4,727	4,385	4,788	4,148	9,191	9,268
Undistributed Expenses (Excluding Payroll)										
Administrative & General	817	909	779	881	518	633	923	722	1,210	1,113
Marketing	701	747	565	550	231	356	560	284	1,121	1,074
Energy Costs	1,184	1,140	886	857	852	830	924	864	1,336	1,358
Property Operation & Maintenance	629	643	500	517	481	483	472	486	802	718
Income Before Fixed Charges	4,718	4,403	4,777	4,576	5,335	4,413	4,446	4,155	6,165	5,562
Fixed Charges	3,821	4,065	3,365	3,181	2,700	2,512	3,417	2,452	3,625	3,330
Net Income (Loss) Before Income Tax	$ 397	$ 156	$ 402	$ 478	1,953	$ 1,623	$ 378	$ 1,521	1,027	$ 1,315
Number of Times Rate Was Earned	92	97	112	119	130	125	110	112	101	123
Net Cost of Operation Per Dollar of Average Room Rate	$ 132	$ 144	$ 150	$ 136	$ 122	$ 133	$ 135	$ 128	$ 131	$ 143
Ratio of Income Before Fixed Charges to:										
Room Sales	40.0%	38.2%	44.7%	45.5%	53.1%	46.9%	45.8%	46.2%	43.4%	40.5%
Total Sales	23.5	23.1	28.0	26.3	37.6	31.6	27.2	30.1	21.9	24.9
Cost of Food Sales (After Credit For Employees' Meals)	32.8¢	33.6¢	35.1¢	35.4¢	33.6¢	36.8¢	36.4¢	36.7¢	33.5¢	33.8¢
Cost of Beverage Sales	21.4	21.6	22.0	21.1	22.3	23.6	22.1	21.8	21.9	21.9
Food & Beverage Departmental Income Ratio to Room Sales	6.4%	7.0%	9.1%	10.0%	7.9%	8.8%	12.9%	7.1%	12.8%	9.2%
Productivity Index										
Food & Beverage	2.13	2.16	2.33	2.46	2.56	2.53	2.74	2.54	2.70	2.51
Total	2.71	2.80	3.13	3.23	3.46	3.43	3.18	3.32	3.00	3.05
Balance Sheet Ratios										
Current Position	$ .97	$ 1.01	$ 1.08	$ .91	$ .95	$ .95	$ .51	$ .86	$ 1.13	$ .90
Accounts Receivable Ratio to Total Sales	4.7%	3.5%	4.1%	2.8%	4.4%	2.9%	2.5%	2.3%	4.3%	4.6%
Food Inventory Turnover	32	25	29	24	30	30	28	14	24	25
Beverage Inventory Turnover	7	6	7	8	7	8	13	7	5	7
Ratio of Total Sales to Total Assets	67.1%	71.9%	75.8%	71.9%	98.6%	73.2%	76.9%	85.3%	90.6%	71.9%
Ratio of Net Income Before Income Taxes to Total Sales	(1.6)	.8	(1.8)	4.2	0.2	12.4	3.7	8.7	9.1	5.0
Return on Total Assets	**	.6	**	3.0	**	9.1	**	7.4	**	3.6

*All figures are medians.
**Insufficient response.

Analysis of operated departments

The next eight exhibits (11-18) show the results of the various operated departments. Exhibits 11 and 12 illustrate the composition of sales in relation to total revenue and the amount per guest day. Exhibits 13 through 18 provide information on the rooms, food and beverage, telephone and minor operated departments.

Exhibit 11 shows the composition of sales for selected categories based on the arithmetic mean in order to establish absolute values. In each category, the largest portion of revenue was derived from the rooms department followed by food and beverage sales. The relative contributions of these revenue generating departments were generally consistent for

Exhibit 11
Composition of Sales*

	Age				Size				Location	
	Built Pre-1940	1940–1959	1960–1969	Post 1969	Under 150 Rooms	150–299	300–600	Over 600 Rooms	Center City	Airport
Rooms	53.6	69.6	66.5	64.3	69.0	64.9	57.5	58.5	61.9	66.0
Food	30.2	16.2	19.8	20.6	17.4	20.4	25.2	25.2	23.0	20.2
Beverage	9.9	7.1	7.6	8.5	7.4	9.0	9.8	8.7	8.1	8.8
Telephone	2.3	3.0	3.0	2.4	2.2	3.0	2.5	2.5	3.0	3.0
Minor Operated Departments	2.3	1.9	1.8	1.9	1.6	1.5	3.3	2.6	2.4	0.7
Rentals & Other Income	1.7	2.2	1.3	2.3	2.4	1.2	1.7	2.5	1.6	1.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Based on arithmetic mean.
**Data for these properties were excluded from all other categories.

Exhibit 12
Sales Per Guest Day*

	All Establishments	Location					Market		Those Reporting	
		Center City	Airport	Suburban	Highway	Resort	Convention	Other	Net Income	Net Loss
Rooms	$41.34	$45.16	$37.98	$40.79	$28.36	$41.21	$44.67	$42.67	$41.20	$41.28
Food	20.72	20.36	15.28	25.48	13.07	23.92	27.19	19.79	19.94	21.37
Beverage	7.85	7.28	6.58	10.42	6.56	7.63	9.20	7.82	7.73	8.17
Telephone	1.87	2.24	1.91	1.71	1.23	1.47	1.86	1.86	1.71	2.01
Minor Operated Departments	2.39	1.64	.55	1.69	.35	8.49	7.63	1.40	1.71	3.00
Rentals & Other Income	2.32	2.28	1.65	3.01	.45	2.83	3.79	2.11	2.12	2.66
Total	$76.49	$78.96	$63.95	$83.10	$50.03	$85.55	$94.34	$75.65	$74.41	$78.49

*Based on arithmetic mean.

most of the breakdowns. The only deviation from this pattern was evident in the analysis by restaurant operations, in which the contribution by the rooms department declined as the properties derived more revenue from their food and beverage operations.

A breakdown of sales per guest day is presented in Exhibit 12 for the entire sample and for selected breakdowns. These figures are also based on the arithmetic mean. For the second consecutive year, net loss properties generated higher levels of sales than the net income group. This was true not only for total sales per guest day but also for each individual department. This seems to indicate that this group of properties attracted adequate levels of spending from their guests but either did not generate sufficient levels of demand or were not effective in controlling operating costs. As a result, they were unable to translate high levels of revenue into bottom-line profits.

Location			Restaurant Operated	Restaurant Operated Total Food & Beverage Sales Ratio to Room Sales				Reporting	
Suburban	Highway	Resort	Restaurant Not Operated**	Under 50%	50–74%	75–99%	100% & Over	Net Income	Net Loss
69.3	62.5	57.0	91.5	71.6	57.9	49.0	41.1	67.3	59.9
17.3	22.4	25.2	0	16.1	25.6	29.9	37.0	18.9	22.9
7.4	10.7	7.9	0	6.5	11.3	12.7	13.0	7.7	9.7
2.7	2.6	2.0	1.5	3.2	2.7	2.2	1.6	2.7	2.6
1.1	0.9	5.8	0.5	1.2	1.1	4.8	6.0	1.6	2.9
2.2	0.9	2.1	6.5	1.4	1.4	1.4	1.3	1.8	2.0
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Rooms department operations

The median amounts per room and the ratio to total sales for the primary revenue and expense items in the rooms department are shown in Exhibit 13 for all establishments and by size. As the size of the property increased, revenue and expenses tended to move upward at approximately the same rate. However, even though net departmental income as amounts per room rose in proportion to the size of the properties, a different picture is presented when departmental income is analyzed as a ratio to total sales. In this type of analysis, smaller properties generate a higher level of income than their larger counterparts.

Exhibit 14 provides information about the cost of the various room expenses per occupied room per day within the different occupancy levels. These expenses declined with the exception of the over 80 percent occupancy category. This situation was evident in earlier exhibits presented in this report and may indicate that economies of scale can be instituted in the allocation of rooms expenses up to a certain level, at which point the law of diminishing returns seems to have its effect.

Exhibit 13
Rooms Department
Median Amounts Per Room and Ratios to Sales*

	All Establishments	Size: Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms
Revenue					
Room Sales	$11,192	$8,708	$10,606	$12,713	17,399
Allowances	(77)	(53)	(69)	(108)	(94)
Net Revenue	11,208	9,189	10,556	13,208	17,568
Departmental Expenses					
Payroll & Related Expenses	1,931	1,774	1,786	2,549	3,051
Commissions	91	41	78	168	203
Contract Cleaning	18	15	14	26	56
Linen	115	103	108	117	150
Laundry & Dry Cleaning	142	41	49	256	273
Operating Supplies	218	217	197	251	271
Other Operating Expenses	116	107	107	135	155
Reservation Expense	121	93	102	143	170
Uniforms	23	16	20	30	36
Total Expense	2,794	2,467	2,527	3,808	4,498
Net Departmental Income	$8,302	$6,587	7,951	$9,659	$12,920
Ratio to Total Sales					
Net Revenue	62.5%	68.0%	65.2%	57.4%	57.2%
Payroll & Related Expenses	11.1	12.0	11.6	10.5	10.2
Net Departmental Income	46.4	49.1	48.3	40.9	42.9

*All figures are medians and do not necessarily add to totals shown.

Exhibit 14
Rooms Department Expenses
Per Occupied Room Per Day*—By Occupancy

		Occupancy				
	All Establishments	Under 50%	50-59%	60-69%	70-79%	80% & Over
Payroll & Related Expenses	$ 8.14	$ 9.37	$ 8.85	$ 8.15	$ 7.29	$ 8.00
Commissions (Including Travel Agents)	.40	.34	.41	.37	.40	.54
Contract Cleaning	.07	.08	.07	.08	.06	.08
Laundry & Dry Cleaning	.67	.99	.68	.73	.21	.61
Linen	.49	.55	.45	.51	.46	.53
Operating Supplies	.91	1.00	.95	.87	.90	.90
Other Operating Expenses	.50	.68	.55	.46	.43	.49
Reservation Expense	.51	.58	.61	.48	.50	.48
Uniforms	.10	.11	.09	.09	.10	.11
Total—1983	$11.57	$13.22	$12.26	$11.48	$10.54	$11.63
Total—1982	11.44	15.40	11.94	11.11	10.57	11.04
Increase (Decrease)	1.1%	(14.2)%	2.7%	3.3%	(0.3)%	5.3%

*Based on those supplying detail. All figures are medians and do not necessarily add to totals shown.

Restaurant operations

An analysis of the food and beverage department is presented in Exhibits 15, 16 and 17 (pages 51-55). The ratios to food and beverage sales for selected groups are shown in Exhibit 15; statistics of sales per room and per seat, average receipt per guest and other measurements are presented in Exhibit 16. The major components of operating cost, the cost of sales and cash payroll (typically called the prime cost) are shown for the sample in Exhibit 17.

Exhibit 15 shows the departmental ratios for the entire sample, operations with high and low food and beverage sales, high and low occupancy, those reporting net income and net loss and those catering primarily to conventions. After two years of declines, departmental income for the entire sample rose in 1983 to 18.3 percent of total food and beverage sales. While this figure falls below the 25 percent that is typically the industry benchmark of whether the department is earning enough to cover its share of the overhead operating costs, it signals a halt to the declining performance of past years. One of the reasons for this turnaround was the ability of management to increase employee productivity, a measure that rose for most segments of the industry in 1982.

An extensive analysis of the key performance measures relating to the food and beverage departments is presented in Exhibit 16. Sales per room, sales per seat, average check and similar statistics are provided for selected groups by size, restaurant volume in relation to room sales and location and for those properties catering to conventions. This information can be useful in determining the varying levels of food and beverage operations conducted by different segments of the industry. For example, as the size of the property grows, increases are also reported for food and beverage sales per room, the average check, dining room covers per seat (people served) and room service sales per guest and per occupied room. An examination of this exhibit reveals that most of these differences can be attributed to the sales generated by banquet facilities. Not only are the larger properties more likely to provide banquet facilities, but their facilities tend to be larger than those of smaller properties.

Exhibit 17 presents the cost of sales and cash payroll, also referred to as the prime cost, analyzed by food and beverage sales as a ratio to room sales. As shown, all categories reported a slight reduction in the prime cost in 1983.

Exhibit 15

Restaurant Operations Ratios to Total Food & Beverage Sales– By Selected Criteria*

	All Establishments	Food & Beverage Sales Ratio to Room Sales		Occupancy		Establishments Reporting		Market
		Under 50%	100% & Over	Under 50%	80% & Over	Net Income	Net Loss	Convention
Sales								
Food	71.3%	72.2%	72.8%	73.9%	73.1	72.7%	70.8%	74.4%
Beverage	28.9	28.6	27.8	26.5	27.0	27.9	29.3	25.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Sales								
Cost of Food Consumed	26.2	26.4	27.7	29.5	25.6	25.3	27.4	25.7
Less Cost of Employees' Meals	(2.4)	(2.2)	(2.3)	(3.8)	2.3	(2.2)	(2.6)	(2.3)
Cost of Food Sold	24.0	23.7	25.5	26.3	23.2	23.0	25.0	24.1
Cost of Beverages Sold	6.3	6.1	6.7	6.8	5.7	6.0	6.7	5.2
Total Cost of Sales	30.6	30.0	31.8	32.9	29.6	29.3	31.6	29.3
Gross Profit	69.5	70.0	68.2	67.1	70.4	70.7	68.4	70.7
Public Room Sales	2.6	4.0	0.9	2.3	2.6	2.7	2.7	1.4
Other Income	0.8	0.7	0.5	0.7	0.7	0.9	0.7	1.5
Total	71.9	72.0	70.0	70.0	72.8	72.5	71.5	72.8
Departmental Expenses								
Payroll & Related Expenses	41.2	43.3	35.9	44.7	41.4	40.4	43.9	39.8
China, Glassware, Silver & Linen	1.5	1.5	1.4	1.4	1.5	1.5	1.6	1.8
Contract Cleaning	0.2	0.2	0.4	0.3	0.2	0.2	0.2	0.4
Kitchen Fuel	0.4	0.4	0.4	0.6	0.2	0.5	0.4	0.6
Laundry & Dry Cleaning	0.9	0.7	1.2	0.9	1.0	0.8	1.1	1.4
Licenses	0.2	0.3	0.1	0.2	0.1	0.1	0.2	0.1
Music & Entertainment	2.5	2.4	2.7	2.2	2.9	2.2	2.7	1.8
Operating Supplies	2.7	2.8	2.1	2.9	2.7	2.7	2.7	1.9
Other Operating Expenses	1.3	1.3	1.6	1.8	1.2	1.2	1.4	1.4
Uniforms	0.4	0.4	0.2	0.5	0.4	0.4	0.4	0.5
All Other Expenses	1.8	1.9	2.0	2.0	1.6	1.8	1.6	2.7
Total	54.1	56.5	48.4	58.1	53.1	52.8	57.9	53.2
Departmental Income	18.3%	16.2%	21.5%	14.3%	21.0%	20.4%	14.3%	20.1%
Productivity Index	2.43	2.31	2.79	2.24	2.42	2.49	2.28	2.51

*All figures are medians and do not necessarily add to totals shown.

Exhibit 16
Food and Beverage Statistics—By Selected Criteria*

	Size				Food and Beverage Sales Ratio to Room Sales	
	Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms	Under 50%	50–74%
Food Sales—By Facility						
Amount Per Available Room						
Dining Room	$3,926	$2,801	$3,197	$3,356	$1,968	$3,069
Room Service	105	278	417	597	318	466
Banquet	1,265	1,548	2,373	3,021	821	2,184
Bar/Lounge	222	134	118	56	89	89
Total	3,333	2,987	6,012	7,571	2,528	5,009
Ratio to Total Food Sales						
Dining Room	73.8%	61.8%	54.7%	46.5%	69.4%	55.9%
Room Service	2.3	4.5	6.5	8.2	7.6	6.8
Banquet	25.7	32.8	39.6	43.4	23.8	39.3
Bar/Lounge	2.2	2.8	1.8	0.8	2.3	1.5
Amount Per Seat						
Dining Room	$3,886	$3,714	$5,046	$7,403	$4,319	$4,933
Banquet	472	576	982	1,079	471	720
Bar/Lounge	430	382	169	424	1,244	306
Total	1,577	1,830	2,033	3,573	2,020	1,553
Average Check						
Dining Room	$ 5.85	$ 6.96	$ 6.92	$ 7.19	$ 5.95	$ 6.62
Room Service	6.31	6.32	7.09	10.25	6.98	7.20
Banquet	6.80	12.68	12.69	16.69	12.44	13.73
Total	5.83	7.24	8.72	10.44	6.63	8.33
Covers Served Per Seat						
Dining Room	623	590	671	776	720	605
Banquet	58	70	71	84	44	64
Room Service Sales						
Per Occupied Room						
Food	$ .49	$ 1.24	$ 1.95	$ 2.49	$ 1.30	$ 2.08
Beverage	.29	.28	.55	.83	.39	.68
Total	.48	1.45	2.59	3.20	1.51	2.51
Per Guest						
Food	$ .29	$ .95	$ 1.60	$ 1.71	$ .77	$ 1.45
Beverage	.28	.19	.52	.79	.31	.60
Total	.29	1.16	2.14	2.46	.92	1.96

*All figures are medians and do not necessarily add to totals shown.

Food and Beverage Sales Ratio to Room Sales		Location					Market
75–99%	100% & Over	Center City	Airport	Suburban	Highway	Resort	Convention
$4,316	$5,846	$2,914	$2,381	$3,663	$2,614	$4,409	$3,784
423	352	509	277	332	215	665	604
2,765	3,515	2,387	1,267	2,335	1,189	2,260	3,005
85	337	57	94	116	65	276	69
7,570	9,518	4,877	3,530	3,075	3,103	7,263	8,101
55.3%	61.1%	56.4%	59.8%	55.6%	66.8%	68.5%	56.4%
5.2	4.3	7.4	5.4	4.6	4.2	6.8	6.8
40.0	32.2	36.8	33.6	39.7	31.0	29.7	39.1
0.9	2.1	1.0	3.0	1.8	1.4	3.4	0.7
$5,452	$5,065	$5,202	$5,322	$4,096	$2,860	$3,959	$4,080
919	716	1,007	437	794	361	949	1,194
153	99	506	382	153	16	216	87
2,082	1,707	2,420	1,452	1,271	966	1,699	1,707
$ 7.39	$ 7.73	$ 7.07	$ 6.22	$ 7.18	$ 5.91	$ 7.38	$ 8.36
6.92	7.34	7.58	6.19	6.57	5.69	7.36	7.36
13.00	10.63	13.95	13.59	13.23	8.55	11.40	14.74
8.99	8.31	9.01	6.78	9.23	6.13	8.74	10.04
611	663	716	1,003	590	533	551	551
86	63	64	63	71	24	98	85
$ 1.85	$ 1.60	$ 2.24	$ 1.23	$ 1.50	$ .94	$ 2.42	$ 2.58
.50	.74	.79	.24	.57	.39	1.19	.89
2.15	1.83	2.98	1.22	1.67	1.01	2.60	3.45
$ 1.35	$ 1.60	$ 1.40	$ 1.01	$ 1.11	**	$ 1.44	$ 1.70
.38	.54	.53	.20	.37	**	.77	.71
1.46	2.10	1.95	1.18	1.31	**	1.73	2.42

(Continued on next page)

Exhibit 16 (continued)*

	Size				Food and Beverage Sales Ratio to Room Sales	
	Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms	Under 50%	50–74%
Beverage Sales—By Facility						
Amount Per Available Room						
Dining Room	$ 741	$ 589	$ 614	$ 760	$ 340	$ 557
Room Service	86	65	123	221	89	150
Banquet	227	346	662	809	172	582
Bar/Lounge	1,488	1,125	1,028	801	848	1,075
Total	1,612	1,486	2,252	2,853	1,077	2,415
Ratio to Beverage Sales						
Dining Room	34.3%	22.3%	24.4%	26.3%	20.1%	23.0%
Room Service	2.6	2.1	4.4	7.4	6.1	5.1
Banquet	13.1	18.5	24.9	28.1	15.2	24.1
Bar/Lounge	78.8	62.1	41.0	32.1	61.0	48.6
Ratio to Food Sales						
Dining Room	11.7	18.0	17.8	20.2	14.4	17.9
Room Service	21.2	20.4	27.0	35.4	25.1	28.7
Banquet	21.9	23.3	26.5	25.8	22.2	25.9
Total (Including Bar/Lounge)	41.4	42.7	37.8	36.3	38.9	42.6
Amount Per Seat						
Dining Room	$ 476	$ 719	$ 756	$1,233	$ 662	$ 820
Banquet	84	126	260	258	117	190
Bar/Lounge	1,749	2,550	2,832	4,544	3,094	3,105
Total	713	652	806	1,427	987	948

*All figures are medians and do not necessarily add to totals shown.

Exhibit 17
Restaurant Operations—Cost of Sales and Cash Payroll*

Food & Beverage Sales Ratio to Room Sales	Cost of Sales & Cash Payroll		Increase (Decrease)
	1983	1982	
Under 50%	66.4%	68.5%	— (3.1)%
50–74%	62.5	62.7	(0.3)
75–99%	61.4	67.4	(1.6)
100% & Over	62.5%	63.1%	(1.0)%

*Based on arithmetic mean.

Food and Beverage Sales Ratio to Room Sales		Location					Market
75-99%	100% & Over	Center City	Airport	Suburban	Highway	Resort	Convention
$ 949	$1,130	$ 498	$ 257	$ 802	$ 311	$ 718	$ 588
108	178	195	56	110	95	254	207
786	816	652	294	842	185	816	816
1,196	1,624	896	1,054	1,474	1,637	1,364	965
3,243	3,663	1,739	1,506	1,460	1,848	2,411	2,923
33.1%	25.2%	23.9%	16.6%	25.3%	13.9%	24.4%	24.4%
3.3	4.0	6.7	3.3	3.9	3.1	5.9	6.7
25.4	23.2	25.7	18.1	23.0	11.7	24.1	33.8
40.7	47.9	37.8	64.1	59.8	77.3	50.5	35.3
21.8%	18.0%	18.0%	11.8%	18.8%	10.2%	14.3%	15.8%
25.1	33.7	30.7	23.5	28.0	23.4	30.0	34.3
26.4	24.5	26.5	21.2	25.2	20.6	26.3	27.2
40.2	38.8	36.3	41.8	39.6	48.8	37.9	34.5
$ 920	$ 614	$1,298	$ 543	$ 722	$ 658	$ 757	$ 769
232	116	268	78	219	69	224	298
2,835	1,992	2,075	3,084	2,838	2,042	2,899	1,609
$ 727	$ 628	$ 869	$ 628	$ 758	$ 891	$ 616	$ 616

Exhibit 18
Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios to Sales*

	Size				Location					Market	
	Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms	Center City	Airport	Suburban	Highway	Resort	Convention	Other
Telephone											
Sales	$389	$ 504	$ 566	$ 726	$552	$537	$ 520	$387	$ 496	$ 686	$ 510
Cost of Sales											
Cost of Calls	299	335	396	479	376	359	325	295	389	467	341
Equipment Rental	107	111	113	158	118	110	124	82	197	159	112
Total	395	447	540	660	539	471	445	383	480	568	456
Payroll & Related Expenses	122	129	187	209	185	142	132	131	211	211	165
All Other Expenses	15	21	13	11	13	18	33	38	8	12	17
Total Costs & Expenses	406	512	701	884	672	619	486	432	640	821	537
Net Departmental Income or (Loss)	(22)	(27)	(140)	(154)	(91)	(22)	(10)	(15)	(165)	(164)	(38)
Ratio to Total Sales											
Sales	2.7%	3.0%	2.5%	2.4%	2.8%	3.0%	3.0%	2.7%	2.0%	2.0%	2.9%
Cost of Sales	2.6	2.8	2.3	2.3	2.6	2.8	2.7	2.5	1.9	1.8	2.7
Payroll & Related Expenses	0.5	0.6	0.8	0.6	0.8	0.7	0.5	0.6	0.6	0.7	0.7
Minor Operated Departments											
Sales	$111	$ 106	$ 338	$ 325	$290	$ 122	$ 106	$146	$ 709	$ 593	$ 115
Cost of Sales	136	187	145	55	126	201	253	163	272	178	142
Payroll & Related Expense	141	126	152	209	151	121	124	111	371	492	127
Other Expenses	18	17	29	28	29	3	11	11	133	259	21
Total Costs & Expenses	303	320	420	322	359	275	394	295	562	561	325
Net Departmental Income	(51)	(126)	10	62	28	(16)	(215)	41	110	40	(105)
Ratio to Total Sales											
Sales	0.7%	0.8%	1.3%	1.2%	1.5%	0.7%	0.8%	1.1%	2.3%	2.7%	0.7%
Cost of Sales	0.9	1.3	0.7	0.2	0.7	1.3	1.7	1.2	2.0	0.7	0.9
Payroll & Related Expenses	1.0	0.9	0.6	0.7	0.8	0.7	0.8	0.7	1.2	2.2	0.8
Rentals & Other Income											
Space Rentals	$260	$ 33	$ 77	$ 309	$153	$ 58	$ 41	$111	$ 146	$ 170	$ 75
Concessions	61	52	58	61	54	41	57	45	60	75	59
Commissions	14	32	34	26	33	39	33	54	60	41	27
Other	259	69	134	210	115	94	80	32	279	246	102
Total Rentals & Other Income	100	117	248	594	216	134	93	132	465	594	142
Ratio to Total Sales	0.7%	0.7%	1.1%	2.0%	1.0%	0.8%	0.6%	0.8%	1.8%	1.5%	0.8%

*Based on those supplying detail. All figures are medians and do not necessarily add to totals shown.

Exhibit 19
Staffing Levels and Employee Productivity—All Establishments*

	Number of Employees Per 100 Available Rooms			Number of Employees Per 100 Occupied Rooms		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
1) Staffing Levels (Full-Time Equivalent Employees)						
Rooms	16.5	20.2	26.6	25.1	32.8	42.8
Food & Beverage	20.0	30.0	48.1	34.4	49.7	84.8
Telephone	0.9	1.2	1.9	1.3	1.9	3.1
Minor Operated Departments	1.3	2.6	6.6	2.1	4.2	12.9
Administrative & General	2.6	4.2	7.2	4.2	6.8	11.7
Marketing—Sales	1.2	1.7	2.5	1.7	2.8	4.2
Marketing—Other	0.2	0.3	0.7	0.3	0.5	1.3
Property Operation & Maintenance	2.3	3.1	4.9	3.7	4.7	7.4
Personnel	0.3	0.6	1.1	0.6	0.9	1.7
House Laundry	1.6	2.4	3.2	2.8	3.7	4.9
Other	0.7	1.3	2.3	1.2	2.2	4.6
2) Total Employment—Full-Time Equivalent Employees	45.5	59.3	89.7	70.8	98.0	146.3
3) Employee Productivity—Sales Per Full-Time Employee						
Rooms	$45,097	$58,240	$84,674			
Food & Beverage	18,103	24,071	34,921			
Telephone	35,176	56,378	75,561			
Minor Departments	15,659	30,052	53,931			
*4) Total Sales Per Employee	26,802	36,491	49,788			

*Based on those supplying detail. All figures are medians or quartiles and do not necessarily add to totals shown.

Minor operated departments

As Exhibit 18 shows, industry management needs to institute procedures to make the telephone department a profitable one. Every segment of the industry analyzed has continually reported losses in this department. This is in direct contrast to lodging operations in other areas of the world where profitable telephone departments are the rule. An interesting development in this year's report was the high percentage of properties that reported losses in their minor operated departments. These losses seem to be the result of a much higher cost of sales.

Payroll and related expenses

An analysis of the available information on staffing levels per 100 available rooms and per 100 occupied rooms and sales per employee is shown in Exhibit 19. The medians and quartiles were determined for only those properties reporting the number of employees in the various departments. The number of employees is based on full-time equivalents. The number of hours worked is divided by the standard work hours to obtain the number of full-time equivalent (FTE) employees in each position.

Median sales per full-time equivalent employee declined for each department in 1983 as the number of employees for both categories rose. This is the result of major additions to staff in both the rooms and food and beverage departments.

Exhibit 20 shows cash payroll, employee benefits and employment statistics for those properties providing the detail for each of the size categories, the middle and high occupancy groups, those with low and high restaurant volume and those reporting a net income or net loss.

Payroll and related expenses per room and per employee generally increased as the size of the property increased and, for most industry segments, were higher than the figures reported last year. However, sales per employee failed to increase for most segments resulting in declines in the productivity index. This index is computed by dividing total sales by total payroll and related expenses.

Exhibit 20
Cash Payroll, Employee Benefits, Total Payroll and Employment Statistics—By Selected Criteria*

	Size			
	Under 150 Rooms	150–299	300–600	Over 600 Rooms
Payroll & Related Expenses				
Amount Per Room				
Cash Payroll	$ 3,537	$ 3,949	$ 6,832	$ 8,042
Total Payroll & Related Expenses	4,384	4,940	8,919	11,022
*Employee Benefits—Ratio to Cash Payroll	28.2%	28.7%	35.6%	36.8%
Cost Per Employee				
Cash Payroll	$ 7,661	$ 7,983	$11,975	$ 14,476
Total Payroll & Related Expenses	9,480	9,845	16,685	20,233
Employment Statistics				
Sales Per Employee				
Rooms	$48,009	$50,340	$69,083	$106,132
Food & Beverage	21,902	19,772	29,969	41,235
Telephone	41,333	48,476	48,803	71,769
Minor Departments	24,007	41,245	23,660	49,078
*Total Sales Per Employee	28,669	29,181	40,509	54,852
Productivity Index				
1983	$ 3.13	$ 3.17	$ 2.72	$ 2.77
1982	3.31	3.16	2.84	2.87
Number of Full-Time Equivalent Employees Per 100 Available Rooms				
Rooms	20.5	20.6	21.6	16.3
Food & Beverage	35.8	26.0	32.6	25.3
Telephone	1.7	1.1	1.3	1.1
Minor Departments	10.0	2.6	2.4	2.0
Administrative & General	3.7	3.1	5.4	5.1
Marketing—Sales	1.8	1.6	1.9	1.5
Marketing—Other	**	0.7	0.3	0.2
Property Operation & Maintenance	3.4	2.6	3.2	3.1
Personnel	1.3	0.8	0.6	0.3
House Laundry	2.5	1.8	2.6	2.3
Total	62.4	56.4	65.4	59.4

*Based on those supplying detail. All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Occupancy		Restaurant Operated Total Food & Beverage Sales Ratio to Room Sales		Those Reporting	
60–69%	Over 80%	50–74%	100% or More	Net Income	Net Loss
$ 4,656	$ 4,638	$ 5,572	$ 8,964	$ 4,337	$ 4,951
5,583	6,062	7,312	11,396	5,409	6,143
32.6%	33.6%	35.3%	30.7%	31.6%	30.9%
$10,406	$11,782	$11,872	$ 9,580	$10,285	$10,463
13,127	17,005	16,350	12,163	13,001	12,591
66,494	66,438	57,892	47,274	70,010	53,171
26,421	24,299	27,910	23,467	24,420	24,071
60,494	44,872	60,494	41,333	77,131	44,644
32,923	20,181	31,184	24,967	35,840	30,555
38,728	52,311	38,728		41,235	30,644
$ 3.00	$ 3.44	$ 2.83	$ 2.74	$ 3.24	$ 2.66
3.10	3.48	2.89	2.66	3.34	2.72
20.6	27.2	19.1	22.1	20.0	19.7
34.3	29.5	26.9	55.6	28.4	32.6
1.2	1.5	1.1	1.9	1.0	1.3
2.7	1.9	1.9	7.8	2.2	3.0
4.9	3.4	3.8	7.5	4.1	4.2
1.6	1.7	1.6	2.3	1.6	1.7
0.3	••	0.4	••	0.4	0.3
3.1	3.1	3.3	4.4	3.1	2.9
0.6	0.8	0.5	1.1	0.4	0.6
2.5	3.2	2.3	3.1	2.3	2.6
59.1	62.8	58.3	104.7	55.5	62.0

Exhibit 21
Payroll and Related Expenses Per Occupied Room Per Day*—By Occupancy

	Occupancy				
	Under 50%	50–59%	60–69%	70–79%	80% & Over
Rooms	$ 9.38	$ 8.85	$ 8.15	$ 7.29	$ 8.00
Food & Beverage	13.40	12.57	7.36	8.25	7.40
Telephone	.94	.75	.72	.72	.60
Minor Operated Departments	1.09	.63	.57	.49	.52
Administrative & General	5.71	4.81	3.64	3.17	3.01
Marketing	2.84	1.72	1.60	1.20	.95
Property Operation & Maintenance	2.89	2.38	1.93	1.59	1.41
Personnel	.99	.48	.44	.53	1.08
House Laundry	1.22	1.11	1.20	1.11	1.19
Total	$33.30	$31.18	$24.40	$23.40	$19.04

*Based on those supplying detail. All figures are medians and do not necessarily add to totals shown.

Exhibit 22
Analysis of Undistributed Operating Expenses—By Selected Criteria*

	Age				Size			
	Built Pre-1940	1940–1959	1960–1969	Post 1969	Under 150 Rooms	150–299	300–600	Over 600 Rooms
Administrative & General								
Cost Per Room								
Payroll & Related Expenses	$1,910	$ 972	$ 567	$ 927	$ 712	$ 677	$1,292	$1,226
Other	1,420	803	584	759	565	697	996	1,105
Total	3,475	1,792	1,176	1,766	1,231	1,451	2,300	2,293
Ratio to Room Sales	20.5%	14.5%	11.2%	14.4%	14.9%	14.4%	17.0%	14.0%
Ratio to Total Sales	10.5	8.5	7.7	8.2	8.7	8.8	9.3	7.7
Marketing								
Cost Per Room								
Payroll & Related Expenses	$ 523	$ 415	$ 204	$ 357	$ 218	$ 275	$ 468	$ 455
Other	1,454	722	198	634	475	516	889	960
Total	1,992	1,043	315	845	552	737	1,338	1,388
Ratio to Room Sales	8.3%	7.7%	3.3%	7.5%	5.4%	7.2%	9.4%	8.1%
Ratio to Total Sales	4.0	5.6	2.4	4.4	3.7	4.5	5.5	4.8
Energy Costs								
Cost Per Room	$1,399	$ 995	$ 860	$ 977	$ 862	$ 940	$1,212	$1,413
Ratio to Room Sales	7.8%	7.6%	8.4%	8.5%	8.9%	9.0%	8.9%	8.5%
Ratio to Total Sales	4.3	5.5	5.6	5.3	6.1	5.6	4.9	4.8
Property Operation & Maintenance								
Cost Per Room								
Payroll	$ 821	$ 726	$ 411	$ 456	$ 393	$ 384	$ 668	$ 857
Other	677	657	499	503	481	496	701	849
Total	1,553	1,527	918	887	808	876	1,421	1,681
Ratio to Room Sales	11.8%	12.6%	8.9%	8.1%	8.3%	8.8%	10.0%	9.6%
Ratio to Total Sales	5.6	7.4	6.0	5.1	5.5	5.7	5.9	5.4

*All figures are medians.

Exhibit 21 presents the relationship of departmental payroll and related expenses per occupied room per day to the occupancy level. In analyzing this exhibit, it is apparent that at the higher occupancy levels, hotels are able to control employee productivity effectively, thereby reducing costs. This trend is consistent except for those properties with occupancy above 80 percent, probably because this occupancy level is often higher than most establishments forecast, and usual management patterns—particularly in the rooms department—must be altered to handle the increased demand.

Undistributed operating expenses

Exhibit 22 displays undistributed operating expenses analyzed by amounts per room, ratios to room sales and ratios to total sales. For most categories analyzed, marketing costs rose during 1983. The trend for the year reflected greater price sensitivity among business travelers, contrasted with less sensitivity for consumers with more discretionary income as a result of the rebounding economy. As the hotel industry emerged from the sluggish performance reported in 1982, however, increased competition for market share and growth necessitated larger expenditures to meet new marketing strategies.

Occupancy					Restaurant Not Operated	Restaurant Operated Food and Beverage Sales Ratio to Room Sales			
Under 50%	50–59%	60–69%	70–79%	80% & Over		Under 50%	50–74%	75–99%	100% & Over
$ 889	$ 958	$ 861	$ 857	$ 927	$387	$ 597	$1,047	$1,325	$1,751
709	805	803	769	726	497	592	888	1,152	1,202
1,675	1,817	1,752	1,751	1,653	565	1,239	2,043	2,479	2,922
22.4%	17.4%	15.1%	12.5%	10.7%	7.5%	11.5%	15.6%	19.8%	23.8%
12.5	10.0	9.1	7.8	7.2	6.8	8.1	9.2	9.6	9.7
$ 402	$ 342	$ 374	$ 334	$ 295	$213	$ 230	$ 432	$ 463	$ 507
525	640	591	623	565	327	398	747	903	1,112
999	911	820	856	695	207	551	1,133	1,413	1,728
12.4%	10.1%	8.5%	6.5%	3.8%	2.8%	4.9%	9.3%	10.2%	14.6%
6.6	5.8	4.9	4.0	2.7	2.6	3.3	5.5	5.1	6.2
$ 972	$1,035	$ 979	$ 974	$1,008	$563	$ 860	$1,179	$1,334	$1,450
14.3%	11.1%	9.0%	7.6%	6.6%	6.0%	7.9%	9.4%	10.5%	12.3%
8.2	6.5	5.5	4.9	4.6	5.4	5.7	5.4	5.2	5.3
$ 440	$ 490	$ 451	$ 430	$ 433	$306	$ 388	$ 547	$ 676	$ 651
512	538	514	551	656	388	471	670	752	729
921	975	954	975	1,062	530	868	1,204	1,417	1,462
14.2%	10.4%	9.4%	8.0%	7.2%	5.2%	8.0%	9.9%	12.6%	12.4%
7.5	6.2	6.0	5.2	5.1	5.0	5.7	5.8	6.1	5.0

Exhibit 23
Management Fees—All Establishments

	Lower Quartile	Median	Upper Quartile
Amount Per Room			
1983	$416	$599	$873
1982	$357	$540	$878
Ratio to Total Sales			
1983	2.9%	3.3%	4.0%
1982	2.8%	3.4%	4.5%

Exhibit 24
How the Marketing Dollar Was Spent*

	Mean, All Establishments	Location					Market
		Center City	Airport	Suburban	Highway	Resort	Convention
Payroll & Related Expenses							
Sales	31.3%	31.0%	32.3%	33.9%	26.6%	25.1%	32.2%
Other	0.6	0.9	0.2	1.0	0	0.8	1.8
Sales							
Travel & Entertainment	7.8	11.6	4.2	9.4	4.2	9.8	8.7
Other	2.7	3.5	2.5	1.4	2.4	3.6	4.3
Advertising							
Print	14.5	17.3	14.5	12.1	13.2	25.5	19.3
Radio & TV	6.9	1.4	6.4	2.3	5.2	2.9	2.7
Outdoor	4.4	2.1	4.3	2.3	7.9	1.9	1.8
Other	5.5	6.3	6.4	5.7	4.1	8.9	4.9
Merchandising	3.9	2.3	3.9	3.8	5.6	5.1	4.7
Public Relations & Publicity	2.6	3.1	3.1	2.2	6.1	2.6	2.1
Fees & Commissions							
Franchise Fees	6.5	5.9	11.3	7.0	14.4	1.8	5.2
Other	1.2	1.3	1.4	0.1	0.6	1.8	1.3
All Other Selling & Promotion Expenses	12.1	13.3	9.5	18.5	9.7	10.2	11.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Marketing Cost Index	$27.98	$26.12	$22.30	$44.60	$28.07	$24.24	$14.82

*Based on those supplying detail.

Exhibit 25
Energy Costs Per Occupied Room Per Day*—By Location

	Mean, All Establishments	Location				
		Center City	Airport	Suburban	Highway	Resort
Fuel	$1.21	$1.38	$1.02	$1.06	$ .97	$1.26
Electricity	3.22	3.55	2.52	2.78	2.68	4.51
Water	.45	.49	.38	.34	.46	.63
Steam	1.97	2.16	**	.76	.32	**
Subtotal	$6.85	$7.58	$3.92	$4.94	$4.43	$6.40
Credit For Sale of Energy	.40	.69	.24	.65	.13	.37
Net Cost						
1983	6.45	6.89	3.68	4.29	4.30	6.03
1982	4.80	5.18	3.98	4.26	3.69	5.90
Increase (Decrease)	34.4%	33.0%	(7.5)%	0.2%	16.5%	2.2%

*Based on arithmetic mean.
**Insufficient response.

Exhibit 26
How the Property Operation and Maintenance Dollar Was Spent—By Age*

	Mean, All Establishments	Age			
		Built Pre-1940	1940-1959	1960-1969	Post 1969
Payroll & Related Expenses	44.4%	48.1%	45.5%	44.0%	42.7%
Building	6.1	5.6	10.1	6.7	5.8
Electrical & Mechanical Equipment	14.0	9.6	15.2	15.7	13.4
Furniture	2.9	2.1	2.2	2.4	2.3
Grounds & Landscaping	5.5	3.2	5.3	5.0	7.3
Operating Supplies	3.3	2.0	2.8	2.8	3.5
Painting & Decorating	3.5	5.5	4.8	5.0	3.1
Removal of Waste Matter	4.4	4.3	3.5	5.4	4.4
All Other Expenses	15.9	19.6	10.6	13.0	17.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%

*Based on arithmetic mean.

Management fees, one of the most significant costs included in administrative and general expenses, are highlighted in Exhibit 23. For comparison purposes, results from 1983 and 1982 are displayed. As an amount per room, the median fee rose significantly for the year, while the ratio to total sales figure showed a marginal decrease.

Exhibit 24 presents information on the allocation of the marketing expense dollar. Problems with overbuilt markets forced management of existing facilities to maintain and even increase market share. Marketing budgets increased for 1983 as hoteliers appealed to the potential consumer through various media--especially print, radio and television—in an effort to enhance the reputations of their establishments and, ultimately, attract new patrons and strengthen existing consumer loyalties. In 1983, each dollar of expenditures for marketing, plus the cost of travel agents' commissions and reservations expenses, generated $27.98 in total sales, up a significant 38.7 percent compared with 1982 results.

Energy costs per occupied room per day for all establishments providing sufficient detail are shown in Exhibit 25 by location. Significant increases in these costs continue to affect the industry and impact bottom-line results. Most of the increases this year can be attributed to higher electricity expenses.

Exhibit 26 depicts the allocation of property operation and maintenance costs by age of the reporting facility. Older hotels allocated a larger proportion of total sales to payroll and related expenses. For the second consecutive year, properties built after 1969 spent the highest percentage of funds on grounds maintenance and landscaping. This reflects the greater emphasis placed by developers of newer projects on the aesthetic appeal of the property and its surrounding environs.

For all categories analyzed in Exhibit 27, credit cards were the preferred method of payment for hotel services for the second consecutive year. This exhibit can also provide the reader with an understanding of any variances that may exist in the method of payment for the selected breakdowns. Additional information concerning credit card usage is presented in Exhibit 28 by analyzing the annual cost per occupied room for commissions. For most categories listed, the ratio to total sales figures declined significantly for 1983 when compared with 1982.

Exhibit 27
Method of Payment For Services*

	Method of Payment			
	Cash	Credit Card	Travel Agent & Tour Operator	All Other Credit
Location				
Center City	25.1%	52.7%	5.4%	16.7%
Airport	23.9	58.7	6.5	10.9
Suburban	25.5	55.8	4.6	14.1
Highway	31.1	54.9	2.8	11.2
Resort	35.7	41.2	9.3	13.8
Size				
Under 150 Rooms	38.2	46.2	5.7	10.1
150-299	25.9	55.0	5.2	13.9
300-600	23.2	52.3	7.6	17.0
Over 600 Rooms	23.4	55.0	3.8	17.8
Rate				
Less than $35.00	41.1	43.7	3.2	12.0
$35.00-$44.99	34.4	51.2	5.3	9.2
$45.00-$54.99	31.2	49.8	5.1	13.9
$55.00 and Over	19.8	55.7	7.2	17.3
Restaurant Not Operated	23.4	57.7	8.8	10.1
Restaurant Operated-- Food & Beverage Sales Ratio to Room Sales				
Under 50%	26.3	54.2	8.8	10.7
50-74%	27.7	51.6	4.5	16.2
75-99%	31.0	50.9	5.5	12.6
100% & Over	32.9	46.9	2.1	18.2
Mean, All Establishments	28.3%	51.9%	5.8%	13.9%

*Based on arithmetic mean.

Exhibit 28
Credit Card Commissions—Annual Cost Per Occupied Room*

	Annual Cost Per Occupied Room		Ratio to Total Sales	
	1983	1982	1983	1982
Location				
Center City	$164	$460	0.5%	1.4%
Airport	77	355	0.8	1.4
Suburban	99	275	0.4	1.4
Highway	201	276	0.4	1.4
Resort	442	398	1.2	1.2
Size				
Under 150 Rooms	62	164	0.3	1.3
150–299	128	203	0.5	1.3
300–600	270	296	0.8	1.3
Over 600	314	382	0.7	1.3
Rate				
Less than $35.00	37	194	0.3	1.2
$35.00–$44.99	91	288	0.4	1.3
$45.00–$54.99	172	384	0.6	1.3
$55.00 and Over	350	603	0.8	1.4
Occupancy				
Under 50%	128	372	0.4	1.2
50–59	150	349	0.5	1.3
60–69	139	328	0.5	1.3
70–79	146	317	0.5	1.4
80% & Over	197	318	0.7	1.4
Restaurant Not Operated	40	198	0.3	1.6
Restaurant Operated— Food & Beverage Sales Ratio to Room Sales				
Under 50%	136	275	0.6	1.4
50–74%	150	404	0.5	1.3
75–99%	209	445	0.5	1.2
100% & Over	157	496	0.4	1.2
Median, All Establishments	$146	$328	0.5%	1.3%

*All figures are medians.

Exhibit 29
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales—By Selected Criteria*

		Age				Size			
	Median, All Establishments	Built Pre-1940	1940-1959	1960-1969	Post 1969	Under 150 Rooms	150-299 Rooms	300-600 Rooms	Over 600 Rooms
Amount Per Room									
Rent	$ 348	$1,963	$ 685	$ 772	$ 370	$ 284	$ 331	$ 507	$ 462
Property Taxes	433	730	384	333	470	283	376	675	1,046
Insurance on Buildings & Contents	79	124	96	95	94	82	85	69	45
Interest Expense	1,214	862	404	213	1,578	975	1,190	2,083	2,022
Depreciation & Amortization	1,317	1,659	1,685	1,304	1,465	1,106	1,292	1,672	2,112
Total Fixed Charges	$3,277	$5,111	$2,678	$2,579	$3,625	$2,804	$3,012	$5,192	$6,213
Ratio to Total Sales	20.3%	15.1%	13.8%	16.0%	22.9%	21.4%	19.7%	21.2%	20.1%

*Based on those supplying detail. All figures are medians.

Fixed charges

Exhibit 29 displays fixed charges per available room and ratios to total sales for all participating hotels, analyzed by the pertinent criteria affecting a hotel's non-variable costs. With few exceptions, total fixed costs as both amounts per room and as ratios to total sales increased for all breakdowns presented.

Balance sheet statistics

Liquidity ratios, which measure the ability of a company to meet current obligations, are presented in Exhibit 30. The position reported by respondents to the 1983 survey decreased 15.5 percent from the 1982 level. In contrast, the amount per room and ratio to total sales of accounts receivable increased significantly. Food annual turnover increased in 1983, while beverage annual turnover modestly decreased.

Special analysis

Exhibits 31 through 36 present amounts per room and ratios to total sales of both income before fixed charges and income before income tax by multiple categories. These cross-tabulations, which are presented for the first time in this year's study, can be used to isolate variances in hotel performance that may occur when two indices are analyzed together. The categories used are affiliation versus prof-

Exhibit 30
Balance Sheet Statistics
Liquidity Ratios—All Establishments*

	1983	1982
Current Position	$ .82	$ .97
Accounts Receivable		
Amount Per Room	$910	$498
Ratio to Total Sales	4.2%	2.8%
Food Inventory -- End of Year		
Amount Per Room	$ 92	$ 87
Annual Turnover	28.9	24.8
Beverage Inventory—End of Year		
Amount Per Room	$ 84	$ 65
Annual Turnover	6.8	7.0

*Based on those supplying detail. All figures are medians.

Area					Location				
North-East	South-East	North Central	South Central	West	Center City	Airport	Suburban	Highway	Resort
$ 327	$ 332	$ 433	$ 268	$ 464	$ 481	$ 332	$ 425	$ 191	$1,198
892	543	471	298	355	591	393	338	309	471
71	81	81	87	64	69	92	98	111	82
1,817	1,282	1,253	1,098	1,037	458	1,377	650	1,613	1,191
1,248	1,517	1,241	1,200	1,333	1,402	1,547	1,272	1,489	1,519
$3,987	$3,399	$3,218	$2,682	$3,297	$3,821	$3,365	$2,700	$3,417	$3,625
17.6%	19.3%	23.7%	20.8%	18.5%	19.0%	21.6%	17.8%	23.3%	17.8%

Exhibit 31
Cross Tabulation of Income Before Fixed Charges by Affiliation and Profitability
Amount Per Room and Ratio to Total Sales*

Affiliation	Amount Per Room / Ratio to Total Sales	Profit/Loss: Net Income	Profit/Loss: Net Loss	Total
Chain		$6,188	$2,574	$5,278
		35.5%	15.3%	28.3%
Independent		$5,475	$1,248	$4,824
		26.5%	12.6%	21.6%
Total		$6,099	$2,245	$4,911
		31.5%	15.8%	26.1%

*All amounts are medians.

Exhibit 32
Cross Tabulation of Income Before Income Tax By Affiliation and Profitability
Amount Per Seat and Ratio to Total Sales*

Affiliation	Amount Per Room / Ratio to Total Sales	Profit/Loss: Net Income	Profit/Loss: Net Loss	Total
Chain		$2,780	$(2,093)	$1,189
		14.1%	(11.7)%	7.1%
Independent		$2,280	$(2,190)	$ 993
		9.1%	(17.5)%	4.6%
Total		$2,503	$(1,725)	$ 773
		12.9%	(11.7)%	4.6%

*All amounts are medians.

itability, size versus region and room rate versus occupancy.

To use the cross-tabulations, locate both parameters of interest on the appropriate table (one row and one column) and find the intersection. The upper portion of each box presents the amount per room, while the lower portion shows the percentage of total sales. For example, to identify income before fixed charges for chain-affiliated hotels that reported a profit during 1983, you would go to Exhibit 31 and find that the medians presented were $6,188 per room and 35.5 percent of total sales. This analysis was designed to enable readers to more closely identify operating results of hotels with characteristics similar to their own facilities. Totals for each category analyzed are also presented for comparison purposes. The intersection of the totals for each category reflect the results of the total sample of hotels participating in this study.

Summary

Median amounts per available room and ratios to total sales for the various groups are shown in the exhibits on pages 70–80. The information contained in these exhibits can be useful in identifying the operating results of types of properties that more closely reflect the characteristics of a specific property.

The United States lodging industry experienced what can only be described as another frustrating year in 1983. The long-awaited revival in room night demand finally occurred but not until the

latter half of the year, resulting in occupancy levels only slightly above those for 1982. Despite improving occupancy, many properties continued to realize small profit margins with figures for net income before income taxes being generally lower than for any other year during the 1980s.

After four consecutive disappointing years, it may be time for management in the U.S. lodging industry to reevaluate the directions in which the industry is moving and assess opportunities for the future. The halcyon conditions present in 1979 no longer exist. The recent recession may have signaled an acceleration of the changes that are taking place in the U.S. economy. It is becoming increasingly evident that as the economy makes the inevitable shift from a primarily manufacturing economy to one that is more service oriented, profound changes can be expected in the way America does business. This gradual shift away from former centers of business activity to the future ones will create new opportunities for lodging establishments. Many chains have already recognized this and have begun to expand into areas and industry segments that were not previously attractive.

The short-term outlook for the industry is bright as the U.S. economy continues

Exhibit 33
Cross Tabulation of Income Before Fixed Charges
By Size and Region
Amount per Room and Ratio to Total Sales*

Amount Per Room / Ratio to Total Sales		Region					
		Northeast	Southeast	North Central	South Central	West	Total
Size	Less than 150 Rooms	$4,161 / 18.6%	$4,238 / 30.8%	$2,974 / 23.9%	$2,921 / 28.0%	$4,442 / 29.2%	$3,925 / 26.5%
	150–299 Rooms	$6,304 / 24.3%	$5,668 / 28.2%	$4,541 / 27.3%	$4,755 / 34.6%	$5,299 / 27.3%	$4,860 / 27.8%
	300–600 Rooms	$8,685 / 25.8%	$4,333 / 19.1%	$6,522 / 26.5%	$3,880 / 18.9%	$5,311 / 20.4%	$5,261 / 21.1%
	Over 600 Rooms	$8,645 / 25.1%	$8,490 / 26.5%	$8,243 / 26.7%	$2,645 / 15.3%	$8,857 / 23.8%	$8,491 / 25.1%
	Total	$6,499 / 24.0%	$5,649 / 26.6%	$4,355 / 26.6%	$4,448 / 27.2%	$5,311 / 23.9%	$4,911 / 26.1%

*All amounts are medians.

Exhibit 34
Cross Tabulation of Income Before Income Tax
By Size and Region
Amount Per Room and Ratio to Total Sales*

Amount Per Room / Ratio to Total Sales		Region					
		Northeast	Southeast	North Central	South Central	West	Total
Size	Less than 150 Rooms	$ 875 / 4.1%	$1,009 / 8.0%	$ 88 / 1.0%	$ (161) / (1.1)%	$2,058 / 11.8%	$ 755 / 5.2%
	150–299 Rooms	$1,595 / 7.3%	$1,421 / 3.4%	$ 688 / 3.1%	$ 1,761 / 11.8%	$1,098 / 8.6%	$1,010 / 7.0%
	300–600 Rooms	$1,681 / 8.0%	$ (956) / (3.0)%	$1,203 / (4.8)%	$ 3,923 / 15.6%	$ 377 / 1.4%	$ 9 / 0.1%
	Over 600 Rooms	$ 602 / 2.3%	$3,016 / 6.1%	$2,553 / 7.8%	$ (216) / (1.5)%	$2,655 / 6.9%	$1,479 / 5.6%
	Total	$ 964 / 4.3%	$1,217 / 5.0%	$ 274 / 2.0%	$ 528 / 4.7%	$1,260 / 7.0%	$ 773 / 4.6%

*All amounts are medians.

to exhibit strong growth. Industrial production is on the rise, and corporate profits are at their highest levels in a number of years. The positive economic environment, when viewed in conjunction with the increased occupancies being reported by most segments of the industry, indicates that the revival in room night demand will continue to spread throughout the industry. In addition, healthy increases in room rates are expected. Consumer price sensitivity should wane as corporations realize larger profits and individuals have more discretionary income. These factors will work together in 1984 to produce sizable increases in total revenue and larger profit margins.

Our projections for 1984 are based on data contained in Laventhol & Horwath's *National Trend of Business in the Lodging Industry*, which is a broad-based monthly survey of chain-affiliated and independent operators nationwide. The statistics presented below summarize 1983 results and give industry projections for 1984.

	1983	1984	Percent Change
Total Industry Revenue (in billions)	$29.7	$33.4	12.5%
Occupancy Rate	65.2%	67.5%	3 5
Average Room Rates	$51.90	$54.50	5.0

Exhibit 35
Cross Tabulation of Income Before Fixed Charges by Room Rate and Occupancy
Amount Per Room and Ratio to Total Sales*

Average Rate — Amount Per Room / Ratio to Total Sales	Occupancy: Under 50%	50–59%	60–69%	70–79%	80% & Over	Total
Less than $35.00	$1,956 / 24.2%	$1,700 / 15.5%	$2,498 / 22.8%	$3,424 / 39.6%	$4,783 / 46.8%	$2,376 / 21.9%
$35.00–$44.99	$1,000 / 9.6%	$2,367 / 21.3%	$4,152 / 26.4%	$6,053 / 37.5%	$6,838 / 41.4%	$4,611 / 31.3%
$45.00–$54.99	$2,285 / 13.0%	$3,869 / 21.1%	$5,422 / 25.6%	$6,380 / 29.1%	$8,709 / 45.1%	$5,294 / 26.2%
$55.00 and Over	$ 931 / 4.8%	$3,960 / 14.6%	$6,570 / 23.8%	$8,987 / 27.1%	$9,705 / 27.9%	$7,416 / 23.5%
Total	$1,374 / 12.7%	$2,781 / 18.4%	$4,768 / 25.5%	$6,837 / 31.4%	$7,875 / 33.6%	$4,911 / 26.1%

*All amounts are medians.

Exhibit 36
Cross Tabulation of Income Before Income Tax By Room Rate and Occupancy
Amount Per Room and Ratio to Total Sales*

Average Rate — Amount Per Room / Ratio to Total Sales	Occupancy: Under 50%	50–59%	60–69%	70–79%	80% & Over	Total
Less than $35.00	$(1,062) / (11.9)%	$ (613) / (6.7)%	$(232) / (2.6)%	$1,129 / 14.0%	$2,785 / 26.0%	$ (295) / (2.1)%
$35.00–$44.99	$(1,402) / (12.4)%	$ (461) / (3.7)%	$ 773 / 5.2%	$3,196 / 19.3%	$4,442 / 25.5%	$1,239 / 9.1%
$45.00–$54.99	$ (542) / (3.1)%	$(1,059) / (7.3)%	$ 900 / 5.8%	$1,882 / 7.9%	$5,896 / 28.5%	$ 973 / 5.1%
$55.00 and Over	$(7,554) / (35.6)%	$ 371 / 1.5%	$ 228 / (0.9)%	$3,702 / 9.1%	$2,902 / 7.4%	$ 651 / 2.7%
Total	$(1,489) / (12.8)%	$ (528) / (5.0)%	$ 521 / 3.0%	$2,775 / 12.8%	$3,734 / 18.1%	$ 773 / 4.6%

*All amounts are medians.

U.S. Lodging Industry—1983
Statement of Income and Expenses
Median Amounts Per Available Room

	Age of Property			
Rooms	Built Pre-1940	Built 1940-1959	Built 1960-1969	Built Post 1969
Sales	$14,039	$11,705	$9,997	$11,270
Departmental Expenses				
Payroll & Related Expenses	3,060	2,153	1,855	1,825
Other	1,659	972	698	827
Total	4,523	3,063	2,600	2,678
Departmental Income	10,155	9,057	7,359	8,301
Food & Beverage				
Sales				
Food	8,950	4,542	2,771	4,451
Beverage	4,498	1,539	1,173	1,979
Total	11,346	5,464	3,958	6,398
Cost of Sales				
Food	2,721	1,538	907	1,566
Beverage	993	318	258	483
Total	3,525	1,847	1,168	2,007
Gross Profit	7,830	3,616	2,737	4,324
Public Room Sales	137	114	153	161
Other Income	161	77	77	76
Gross Profit & Other Income	8,709	3,812	2,799	4,510
Departmental Expenses				
Payroll & Related Expenses	5,787	2,415	1,637	2,335
Other	1,553	659	448	836
Total	7,044	2,984	2,142	3,396
Departmental Income	1,251	886	758	1,141
Telephone Departmental Income	(160)	(86)	(27)	(24)
Net Income From Minor Operated Departments	111	21	(191)	2
Rentals & Other Income	636	380	80	186
Gross Income	13,098	10,107	8,538	9,855
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	1,910	972	567	927
Other	1,420	803	584	759
Total	3,475	1,792	1,176	1,766
Marketing	1,992	1,043	315	845
Energy Costs	1,399	995	860	977
Property Operation & Maintenance	1,553	1,527	918	887
Total Undistributed Expenses	7,708	5,620	3,225	4,506
Income Before Management Fees	5,476	5,215	4,845	5,422
Management Fees	993	747	633	602
Income Before Fixed Charges	$4,538	$4,786	$5,023	$5,297

All amounts are medians and do not necessarily add to the totals shown.

Size of Property				Average Rate			
Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms	Less than $35.00	$35.00–$44.99	$45.00–$54.99	$55.00 and Over
$9,189	$10,556	$13,208	$17,568	$7,092	$9,654	$11,837	$17,488
1,774	1,786	2,549	3,051	1,414	1,732	1,929	2,980
676	728	1,192	1,509	605	624	838	1,467
2,467	2,527	3,808	4,498	2,049	2,385	2,837	4,448
6,588	7,951	9,659	12,920	4,930	7,349	8,656	12,818
3,333	2,987	6,012	7,571	2,096	2,733	4,451	7,588
1,612	1,456	2,251	2,853	971	1,237	1,671	2,843
4,955	4,548	8,550	10,333	2,853	4,121	6,093	10,214
1,277	1,046	1,891	2,339	730	924	1,538	2,374
404	334	507	551	247	274	403	570
1,614	1,340	2,515	2,891	958	1,200	1,862	2,989
3,423	3,208	6,106	7,467	1,987	2,858	4,309	7,220
110	164	203	136	106	146	184	196
9	39	76	156	5	13	36	108
3,474	3,349	6,446	7,822	2,025	3,012	4,388	7,653
1,868	1,821	3,508	4,483	1,300	1,611	2,453	4,661
544	595	962	1,148	402	482	745	1,248
2,497	2,432	4,529	5,801	1,742	2,176	3,346	5,937
819	769	1,237	2,009	469	760	1,080	1,601
(22)	(27)	(140)	(154)	(22)	(13)	(43)	(147)
(51)	(126)	10	62	(135)	(194)	9	39
100	117	248	594	103	84	180	405
7,595	9,015	11,965	15,908	5,442	8,184	10,677	15,483
712	677	1,292	1,226	521	593	938	1,451
565	697	996	1,105	454	547	803	1,224
1,231	1,451	2,300	2,293	888	1,175	1,792	2,697
552	737	1,338	1,388	353	536	933	1,635
862	940	1,212	1,413	738	854	1,001	1,419
808	876	1,421	1,681	615	844	975	1,710
3,353	4,036	6,330	7,553	2,609	3,467	4,968	7,577
3,983	5,094	6,142	8,711	2,597	4,768	5,681	8,063
440	585	783	913	377	511	683	875
$3,925	$4,860	$5,261	$8,491	$2,376	$4,611	$5,294	$7,416

U.S. Lodging Industry—1983
Ratios to Total Sales

	Age of Property			
Rooms	Built Pre-1940	Built 1940-1959	Built 1960-1969	Built Post 1969
Sales	100.0%	100.0%	100.0%	100.0%
Departmental Expenses				
Payroll & Related Expenses	22.0	16.6	18.2	17.0
Other	9.1	8.0	6.5	7.6
Total	31.4	25.0	25.0	24.1
Departmental Income	68.6	75.0	75.0	75.9
Ratio to Total Sales	36.4	44.2	49.9	47.3
Food & Beverage				
Sales				
Food	71.4	73.2	73.3	70.8
Beverage	29.2	28.9	27.0	29.3
Total	100.0	100.0	100.0	100.0
Cost of Sales				
Food	34.4	32.8	32.8	34.3
Beverage	21.9	22.3	21.8	22.0
Total	32.6	28.8	30.0	31.0
Gross Profit	67.4	71.2	70.0	69.0
Public Room Sales	1.2	1.0	2.5	2.8
Other Income	1.8	0.8	1.1	0.8
Gross Profit & Other Income	69.8	72.0	71.5	71.6
Departmental Expenses				
Payroll & Related Expenses	44.9	42.4	41.5	39.2
Other	11.2	10.3	10.4	11.9
Total	57.6	53.9	53.7	51.2
Departmental Income	15.4	19.1	18.0	20.9
Ratio to Total Sales	5.4	4.7	4.8	6.0
Telephone Departmental Income	(0.5)	(0.4)	(0.2)	(0.2)
Net Income From Minor Operated Departments	0.4	0.1	(1.3)	N
Rentals & Other Income	1.6	1.7	0.5	0.9
Gross Income	44.5	54.1	55.5	55.3
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	5.6	4.8	3.8	4.5
Other	4.7	3.7	3.6	4.2
Total	10.5	8.5	7.7	8.2
Marketing	4.0	5.6	2.4	4.4
Energy Costs	4.3	5.5	5.6	5.3
Property Operation & Maintenance	5.6	7.4	6.0	5.1
Total Undistributed Expenses	25.2	27.8	22.1	23.5
Income Before Management Fees	18.3	27.2	31.8	31.1
Management Fees	3.5	3.0	3.0	3.5
Income Before Fixed Charges	18.0%	25.2%	31.8%	28.1%

N—Negligible.
All amounts are medians and do not necessarily add to the totals shown. All ratios are based on total sales except those of the rooms, and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.

Size of Property				Average Rate			
Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms	Less than $35.00	$35.00–$44.99	$45.00–$54.99	$55.00 and Over
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
18.4	17.3	18.4	17.6	20.2	17.6	16.5	17.8
7.3	7.1	8.8	8.8	8.5	6.4	7.2	8.9
26.0	24.2	27.3	26.4	29.1	24.3	23.5	26.6
74.0	75.8	72.7	73.6	70.9	75.7	76.5	73.4
49.1	48.3	40.9	42.9	47.6	49.8	46.1	42.0
71.6	70.1	72.6	73.6	66.5	72.6	71.0	72.2
29.9	30.0	27.5	26.6	33.8	28.4	29.2	28.0
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
37.6	34.9	33.1	31.4	37.1	34.6	34.9	32.5
24.5	22.1	21.0	19.8	23.5	23.2	21.8	20.7
33.2	30.7	29.9	27.9	32.2	31.1	31.0	29.3
66.8	69.3	70.1	72.1	67.8	68.9	69.1	70.7
1.9	3.5	2.4	1.7	3.5	3.4	2.6	2.0
0.3	0.6	0.9	1.1	0.2	0.2	0.6	1.0
69.4	71.8	72.9	74.0	71.2	71.1	71.8	73.0
39.0	39.9	43.9	45.1	40.6	39.5	40.3	43.9
10.9	12.1	12.0	10.5	14.2	10.9	12.1	11.6
52.1	53.2	56.7	56.9	56.0	52.1	53.5	57.2
17.8	19.0	16.7	19.3	15.5	19.8	18.3	16.6
5.9	5.1	5.1	6.8	4.8	5.4	5.5	5.5
(0.2)	(0.2)	(0.6)	(0.5)	(0.2)	(0.1)	(0.3)	(0.5)
(0.5)	(0.9)	N	0.2	(1.2)	(1.3)	0.1	0.2
0.7	0.7	1.1	2.0	0.8	0.5	0.9	1.3
55.0	55.0	50.2	51.3	52.6	56.1	53.5	51.3
5.0	4.3	5.1	4.1	5.2	4.1	4.6	4.8
4.6	4.1	4.1	3.3	4.8	3.7	4.2	4.1
8.7	8.8	9.3	7.7	8.8	8.2	9.5	8.9
3.7	4.5	5.5	4.8	3.8	3.7	4.8	5.4
6.1	5.6	4.9	4.8	6.9	5.8	5.3	4.6
5.5	5.7	5.9	5.4	6.0	5.8	5.1	5.7
24.0	24.8	25.8	23.6	25.6	23.7	24.9	25.4
27.7	29.6	25.0	27.8	23.3	32.3	28.7	26.4
3.5	3.4	3.1	2.9	3.7	3.4	3.3	3.0
26.5%	27.8%	21.1%	25.1%	21.9%	31.3%	26.2%	23.5%

U.S. Lodging Industry—1983
Statement of Income and Expenses
Median Amounts Per Available Room

	Occupancy				
Rooms	Under 50%	50–59%	60–69%	70–79%	80% & Over
Sales	$7,285	$9,664	$10,639	$12,639	$14,781
Departmental Expenses					
Payroll & Related Expenses	1,446	1,783	1,891	2,003	2,465
Other	593	728	828	915	1,029
Total	2,019	2,513	2,661	2,888	3,673
Departmental Income	4,706	7,112	7,979	9,662	11,595
Food & Beverage					
Sales					
Food	3,714	4,341	3,718	4,242	4,186
Beverage	1,513	1,588	1,983	2,166	1,733
Total	5,279	5,873	5,537	6,261	5,583
Cost of Sales					
Food	1,337	1,494	1,294	1,472	1,284
Beverage	355	383	406	470	390
Total	1,698	1,867	1,763	1,897	1,656
Gross Profit	3,362	4,013	3,939	4,255	4,011
Public Room Sales	120	131	145	238	214
Other Income	47	62	65	91	65
Gross Profit & Other Income	3,576	4,301	4,086	4,324	4,150
Departmental Expenses					
Payroll & Related Expenses	1,972	2,504	2,108	2,296	2,266
Other	688	805	786	780	594
Total	2,669	3,482	2,960	3,081	3,005
Departmental Income	617	818	834	1,113	1,227
Telephone Departmental Income	(136)	(81)	(37)	(36)	(9)
Net Income From Minor Operated Departments	(25)	25	(1)	(117)	(200)
Rentals & Other Income	172	192	154	154	204
Gross Income	5,071	7,999	9,008	11,011	12,746
Undistributed Operating Expenses					
Administrative & General					
Payroll & Related Expenses	889	958	861	857	927
Other	709	805	803	769	726
Total	1,675	1,817	1,752	1,751	1,653
Marketing	999	911	820	856	695
Energy Costs	972	1,035	979	974	1,008
Property Operation & Maintenance	921	975	954	975	1,062
Total Undistributed Expenses	4,644	5,055	4,602	4,712	4,366
Income Before Management Fees	1,600	3,361	4,825	6,972	8,656
Management Fees	411	544	539	663	1,019
Income Before Fixed Charges	$1,374	$2,781	$4,768	$6,837	$7,875

All amounts are medians and do not necessarily add to the totals shown.

Total Sales					Restaurant Operated Total Food & Beverage Sales Ratio to Room Sales			
Under $2,500,000	$2,500,000 – $4,999,999	$5,000,000 – $9,999,999	$10,000,000 & Over	Restaurant Not Operated	Under 50%	50–74%	75–99%	100% & Over
$8,130	$10,872	$12,474	$18,407	$8,390	$11,098	$11,677	$12,012	$10,993
1,577	1,832	2,108	3,179	1,657	1,855	2,004	2,288	2,086
604	716	1,073	1,544	761	724	967	1,110	1,148
2,247	2,569	3,162	4,768	2,464	2,582	3,102	3,275	3,224
5,943	8,351	9,232	13,343	6,030	8,401	8,584	8,679	7,647
2,440	2,984	5,535	8,084	—	2,528	5,009	7,570	9,518
1,038	1,459	2,349	3,066	—	1,077	2,415	3,243	3,663
3,237	4,567	8,550	11,424	—	3,519	7,150	10,357	12,897
835	1,021	1,941	2,582	—	837	1,778	2,477	3,414
251	320	535	610	—	233	549	711	901
996	1,321	2,558	3,211	—	1,060	2,234	3,155	4,245
2,220	3,265	6,059	8,348	—	2,443	4,916	7,014	8,785
101	171	216	184	—	145	151	218	134
6	27	70	108	—	35	68	93	85
2,261	3,444	6,302	8,552	—	2,519	5,095	7,278	9,027
1,394	1,867	3,307	5,081	—	1,528	2,905	4,227	5,007
398	576	1,039	1,275	—	406	952	1,387	1,449
1,773	2,432	4,441	6,199	—	1,980	3,846	5,652	6,401
558	791	1,393	2,058	—	568	1,334	1,923	3,188
(23)	2	(122)	(161)	(10)	(22)	(83)	(127)	(149)
(132)	(165)	25	39	13	(187)	8	36	76
88	101	224	555	574	101	202	225	298
6,516	9,333	11,277	16,358	6,825	9,223	10,183	11,282	11,253
582	674	1,187	1,424	387	597	1,047	1,325	1,751
511	652	984	1,157	497	592	888	1,152	1,202
1,046	1,451	2,345	2,605	565	1,239	2,043	2,479	2,922
430	744	1,305	1,703	207	551	1,133	1,413	1,728
788	944	1,215	1,446	563	860	1,179	1,334	1,450
766	886	1,328	1,760	530	868	1,204	1,417	1,462
2,987	4,094	6,303	7,578	1,762	3,516	5,615	6,865	7,362
3,240	5,544	5,445	8,736	4,863	5,704	4,660	4,893	5,169
408	598	668	1,047	381	551	643	727	769
$2,921	$ 5,335	$ 4,804	$ 7,992	$4,474	$ 5,550	$ 4,213	$ 4,383	$ 4,649

U.S. Lodging Industry—1983
Ratios to Total Sales

Rooms	Occupancy				
	Under 50%	50–59%	60–69%	70–79%	80% & Over
Sales	100.0%	100.0%	100.0%	100.0%	100.0%
Departmental Expenses					
Payroll & Related Expenses	22.2	18.6	18.1	16.4	16.5
Other	9.2	7.9	7.6	7.0	7.6
Total	31.4	26.8	24.9	23.7	25.1
Departmental Income	68.6	73.2	75.1	76.3	74.9
Ratio to Total Sales	38.3	42.7	46.4	49.9	51.9
Food & Beverage					
Sales					
Food	73.9	71.6	71.8	69.3	73.1
Beverage	26.5	28.5	28.6	31.0	27.0
Total	100.0	100.0	100.0	100.0	100.0
Cost of Sales					
Food	35.8	35.1	33.9	32.8	31.9
Beverage	23.4	22.8	21.4	21.3	21.5
Total	32.9	31.4	30.5	29.3	29.6
Gross Profit	67.1	68.6	69.5	70.7	70.4
Public Room Sales	2.3	2.3	2.5	3.4	2.6
Other Income	0.7	0.8	0.8	0.9	0.7
Gross Profit & Other Income	70.0	71.4	72.1	72.9	72.8
Departmental Expenses					
Payroll & Related Expenses	44.7	43.7	40.4	38.9	41.4
Other	11.8	12.1	12.4	11.5	10.1
Total	58.1	57.2	53.4	52.1	53.1
Departmental Income	14.3	14.7	18.3	21.0	21.0
Ratio to Total Sales	5.1	4.7	5.4	5.5	5.6
Telephone Departmental Income	(0.9)	(0.5)	(0.3)	(0.2)	(0.1)
Net Income From Minor Operated Departments	(0.2)	0.1	N	(0.6)	(0.9)
Rentals & Other Income	1.1	1.1	0.8	0.8	0.8
Gross Income	44.8	50.1	53.5	56.5	58.2
Undistributed Operating Expenses					
Administrative & General					
Payroll & Related Expenses	5.8	5.3	4.5	4.1	3.7
Other	5.7	4.6	4.2	3.6	3.5
Total	12.5	10.0	9.1	7.8	7.2
Marketing	6.6	5.8	4.9	4.0	2.7
Energy Costs	8.2	6.5	5.5	4.9	4.6
Property Operation & Maintenance	7.5	6.2	6.0	5.2	5.1
Total Undistributed Expenses	33.5	29.0	25.6	22.0	20.1
Income Before Management Fees	12.9	20.5	27.7	33.8	37.6
Management Fees	2.9	3.1	3.2	3.5	4.2
Income Before Fixed Charges	12.7%	18.4%	25.5%	31.4%	33.6%

N—Negligible.

Total Sales					Restaurant Operated Total Food & Beverage Sales Ratio to Room Sales			
Under $2,500,000	$2,500,000 – $4,999,999	$5,000,000 – $9,999,999	$10,000,000 & Over	Restaurant Not Operated	Under 50%	50–74%	75–99%	100% & Over
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
19.1	16.8	17.9	17.8		17.3	18.1	17.2	18.3
7.3	6.6	8.4	9.0		6.7	8.3	8.5	9.0
26.4	23.5	25.7	26.6		24.2	26.5	25.8	27.8
73.6	76.5	74.3	73.4		75.8	73.6	74.2	72.2
50.4	49.2	40.9	41.5	63.8	52.7	42.8	36.7	30.8
72.2	69.2	72.5	72.6	—	72.2	70.3	71.3	72.8
29.7	31.1	27.5	27.4	—	28.6	29.9	28.7	28.0
100.0	100.0	100.0	100.0	—	100.0	100.0	100.0	100.0
36.8	35.1	34.5	31.6	—	33.1	34.6	34.4	35.0
24.3	22.1	21.6	20.0	—	22.0	21.9	21.3	22.8
33.1	30.7	31.0	28.6	—	30.0	30.5	30.3	31.8
66.9	69.3	69.1	71.4	—	70.0	69.6	69.7	68.2
2.7	3.4	2.6	1.9	—	4.0	2.3	2.4	0.9
0.2	0.5	0.8	0.9	—	0.7	0.8	0.9	0.5
70.0	71.7	71.9	74.0	—	72.0	72.5	72.0	70.0
40.1	40.1	41.3	43.9	—	43.3	39.6	39.2	35.9
12.0	11.6	12.1	11.1	—	11.0	12.9	11.8	11.2
54.4	53.2	54.8	55.5	—	56.5	53.6	50.5	48.4
16.0	19.2	18.0	19.5	—	16.2	19.5	21.5	21.5
4.5	5.1	6.0	6.7	—	3.5	6.9	8.8	10.8
(0.2)	N	(0.5)	(0.5)	(0.1)	(0.2)	(0.4)	(0.5)	(0.5)
(1.2)	(1.0)	0.1	0.2	0.1	(1.4)	N	0.1	0.2
0.7	0.6	0.9	1.6	6.2	0.6	0.9	0.9	1.1
55.4	55.7	50.3	50.7	72.1	57.4	50.0	47.9	44.2
5.1	4.0	5.2	4.3	3.8	3.9	5.0	5.4	5.2
4.7	3.9	4.4	3.6	5.9	3.7	4.0	4.4	4.2
9.0	8.4	10.0	8.1	6.8	8.1	9.1	9.6	9.7
3.6	4.3	5.7	5.0	2.6	3.3	5.3	5.1	6.2
6.7	5.5	5.3	4.4	5.4	5.7	5.4	5.2	5.3
6.1	5.5	5.9	5.5	5.0	5.7	5.8	6.1	5.0
25.6	24.0	26.2	23.6	20.5	22.5	26.4	27.5	26.9
27.5	31.3	22.9	27.7	49.2	34.4	24.1	20.8	17.3
3.6	3.4	2.9	3.0	4.6	3.4	3.0	3.0	3.4
26.5%	29.3%	21.1%	23.8%	46.2%	32.7%	20.9%	17.7%	16.8%

All amounts are medians and do not necessarily add to the totals shown. All ratios are based on total sales except those of the rooms, and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.

U.S. Lodging Industry—1983
Statement of Income and Expenses
Median Amounts Per Available Room

	Area				
Rooms	Northeast	Southeast	North Central	South Central	West
Sales	$13,970	$11,926	$9,836	$9,836	$12,274
Departmental Expenses					
Payroll & Related Expenses	2,533	1,973	1,790	1,672	2,456
Other	1,212	961	713	693	959
Total	3,761	2,978	2,555	2,327	3,379
Departmental Income	10,423	9,051	7,396	7,534	8,765
Food & Beverage					
Sales					
Food	6,689	4,451	3,414	2,793	4,945
Beverage	2,648	2,333	1,647	1,376	1,769
Total	8,899	6,581	5,030	3,980	6,782
Cost of Sales					
Food	2,065	1,690	1,197	999	1,620
Beverage	608	504	361	296	382
Total	2,553	2,171	1,638	1,245	1,993
Gross Profit	6,415	4,568	3,476	2,719	4,837
Public Room Sales	268	109	173	131	183
Other Income	95	100	35	70	59
Gross Profit & Other Income	6,531	4,706	3,697	2,793	5,000
Departmental Expenses					
Payroll & Related Expenses	3,971	2,317	2,027	1,639	2,873
Other	1,145	922	701	495	745
Total	5,142	3,590	2,768	2,184	3,589
Departmental Income	1,278	1,275	921	628	1,020
Telephone Departmental Income	(86)	(46)	(36)	(15)	(110)
Net Income From Minor Operated Departments	(4)	(12)	1	(177)	(55)
Rentals & Other Income	206	213	142	105	232
Gross Income	12,820	10,718	8,494	8,150	10,412
Undistributed Operating Expenses					
Administrative & General					
Payroll & Related Expenses	1,305	1,001	661	731	1,005
Other	1,142	834	751	657	745
Total	2,607	1,844	1,574	1,433	1,685
Marketing	1,454	968	763	669	884
Energy Costs	1,507	1,105	983	852	902
Property Operation & Maintenance	1,539	986	897	886	1,080
Total Undistributed Expenses	7,162	5,034	4,289	3,816	4,774
Income Before Management Fees	6,663	5,852	4,541	4,514	6,156
Management Fees	688	571	577	486	717
Income Before Fixed Charges	$ 6,499	$ 5,649	$4,355	$4,448	$ 5,311

All amounts are medians and do not necessarily add to the totals shown.

U.S. Lodging Industry—1983
Ratios to Total Sales

	Area				
Rooms	Northeast	Southeast	North Central	South Central	West
Sales	100.0%	100.0%	100.0%	100.0%	100.0%
Departmental Expenses					
Payroll & Related Expenses	17.1	17.0	18.1	16.9	19.0
Other	8.0	8.0	7.3	7.2	8.7
Total	24.8	25.4	25.1	23.7	27.8
Departmental Income	75.2	74.6	74.9	76.3	72.2
Ratio to Total Sales	42.8	46.2	46.6	51.1	44.2
Food & Beverage					
Sales					
Food	69.9	70.9	70.6	70.8	73.9
Beverage	30.7	29.2	29.4	29.5	26.1
Total	100.0	100.0	100.0	100.0	100.0
Cost of Sales					
Food	34.4	34.7	35.2	34.9	31.8
Beverage	21.5	22.2	21.8	22.5	21.3
Total	29.7	31.2	30.3	31.2	29.3
Gross Profit	70.3	68.8	69.7	68.8	70.7
Public Room Sales	3.0	1.6	3.2	2.7	3.2
Other Income	1.0	1.1	0.5	0.8	0.7
Gross Profit & Other Income	78.9	70.4	72.3	71.2	73.3
Departmental Expenses					
Payroll & Related Expenses	39.2	38.8	40.0	41.4	46.1
Other	12.2	12.3	12.4	11.9	10.4
Total	55.7	52.1	52.2	54.0	57.5
Departmental Income	20.1	20.7	20.9	18.8	17.7
Ratio to Total Sales	5.8	6.0	5.8	4.4	5.1
Telephone Departmental Income	(0.3)	(0.3)	(0.3)	(0.1)	(0.5)
Net Income From Minor Operated Departments	0	(0.1)	0	(1.2)	(0.2)
Rentals & Other Income	0.9	1.1	0.8	0.7	1.1
Gross Income	51.4	54.3	53.6	56.3	52.5
Undistributed Operating Expenses					
Administrative & General					
Payroll & Related Expenses	4.9	4.6	4.2	4.9	4.6
Other	3.7	4.3	4.4	4.5	3.7
Total	8.7	8.9	8.7	9.7	8.2
Marketing	5.0	4.6	4.4	5.1	4.0
Energy Costs	5.9	5.2	6.0	5.9	4.5
Property Operation & Maintenance	5.5	5.4	5.8	6.1	5.6
Total Undistributed Expenses	25.7	25.3	25.2	26.5	22.8
Income Before Management Fees	26.3	28.3	28.9	28.4	27.8
Management Fees	3.2	3.0	3.4	3.3	3.4
Income Before Fixed Charges	24.0%	26.6%	26.6%	27.2%	23.9%

All amounts are medians and do not necessarily add to the totals shown. All ratios are based on total sales except those of the rooms, and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.

U.S. Lodging Industry—1983

Statement of Income and Expenses

Median Amounts Per Available Room and Ratios to Total Sales

	All Establishments			All Establishments		
Rooms	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Sales	$8,731	$11,208	$14,645	100.0%	100.0%	100.0%
Departmental Expenses						
Payroll & Related Expenses	1,578	1,931	2,639	15.6	17.7	20.7
Other	600	828	1,261	6.2	7.7	9.6
Total	2,255	2,794	3,910	22.6	25.4	29.7
Departmental Income	6,231	8,302	11,274	70.3	74.6	77.4
Food & Beverage						
Sales						
Food	2,521	4,050	7,269	65.7	71.3	75.7
Beverage	1,047	1,853	3,030	24.6	28.9	35.5
Total	3,519	5,793	9,939	100.0	100.0	100.0
Cost of Sales						
Food	836	1,402	2,338	31.0	33.9	37.3
Beverage	229	409	662	19.9	21.9	24.6
Total	1,060	1,812	2,890	27.9	30.6	33.4
Gross Profit	2,443	3,944	6,991	66.6	69.5	72.1
Public Room Sales	85	160	270	1.4	2.6	4.5
Other Income	13	65	193	0.2	0.8	2.2
Gross Profit & Other Income	2,523	4,148	7,264	69.0	71.9	75.3
Departmental Expenses						
Payroll & Related Expenses	1,494	2,234	4,267	36.4	41.2	48.3
Other	396	759	1,206	9.1	11.8	14.9
Total	1,949	3,034	5,479	47.5	54.1	61.8
Departmental Income	421	909	1,957	10.8	18.3	24.6
Telephone Departmental Income	(175)	(45)	28	(0.8)	(0.3)	0.2
Net Income From Minor Operated Departments	(240)	(24)	87	(1.6)	(0.1)	0.5
Rentals & Other Income	68	178	400	0.4	0.9	1.8
Gross Income	7,016	9,697	13,275	47.6	53.2	59.1
Undistributed Operating Expenses						
Administrative & General						
Payroll & Related Expenses	540	892	1,363	3.4	4.6	5.8
Other	493	769	1,231	3.1	4.1	5.7
Total	1,032	1,751	2,548	6.9	8.7	11.1
Marketing	330	849	1,417	2.5	4.6	6.5
Energy Costs	799	998	1,344	4.4	5.5	6.9
Property Operation & Maintenance	771	978	1,480	4.6	5.7	7.1
Total Undistributed Expenses	3,129	4,701	6,809	20.4	24.8	30.0
Income Before Management Fees	2,865	5,123	7,640	18.9	28.0	36.9
Management Fees	416	599	873	2.9	3.3	4.0
Income Before Fixed Charges	$2,558	$4,911	$7,280	16.5%	26.1%	36.4%

EXPLANATION OF TERMS

Room sales

Payroll—Salaries of managing director, manager, executive assistant manager (not on floor duty); their secretaries, and other clerks in managers' offices; accounting office; front office bookkeepers, bill clerks, cashiers, night auditors; credit department; receiving clerks; employment and personnel managers.

Average room rate

Room sales from all sources, including public rooms net of all allowances divided by the total number of rooms occupied during the year. In the monthly *National Trend of Business in the Lodging Industry* we refer to the Average Room Rate as Room Sales per Occupied Room.

Cash payroll

Entire cash payroll of hotel including house laundry and print shop.

Current position

Prepaid expenses are included in current assets and current mortgage payment installments are excluded from current liabilities.

Energy costs

Cost of electrical current, fuel, steam and water net of sales of energy to stores and others.

Income before fixed charges

For purposes of this study, income before fixed charges is defined as the total of rooms department income, food and beverage department income, minor operated department income, store rentals and other income, less all undistributed expenses.

Income from minor operated departments

Income from guest laundry, valet, cigar-newsstand, barber shop, and other service departments operated by the hotel less merchandise costs, payroll and related expenses, and other expenses directly chargeable to any of these operations.

Inventory turnover

Gross cost before deducting employees' meals divided by the average of the opening and ending inventories.

Marketing

Payroll and related expenses for sales, advertising and publicity managers, their secretaries and clerks. Also, expenses such as printing, stationery, artwork, layouts, literature, house organ, postage, traveling expenses, entertaining, etc.; space in newspapers and magazines; broadcasting; billboards and car cards.

Median—lower quartile—upper quartile

In a column arranged in regular sequence from high to low, or vice versa, the median is the middle figure. This means, of course, in the case of operating results that half the hotels represented had better results than the median and the other half poorer results.

The lower quartile is the dividing point between the lowest quarter and the upper three-quarters of the group. The upper quartile is the dividing point between the highest quarter and the lower three-quarters of the group. Thus, the lower quartile, median and upper quartile divide a series of figures into four equal parts. The results of the middle half of the hotels fall between the lower and upper quartiles.

Property operation and maintenance

Payroll and related expenses for carpenters, upholsterers, carpet men, masons, electricians, machinists, locksmiths, elevator mechanics, painters, paperhangers and similar maintenance employees; the chief and assistant engineers; boilermen; firemen; ice pullers; incinerator men; storekeepers and clerks in engineer's office and stores. Also, expenses such as uniforms; cost of supplies and outside contracts for painting, repairing of furniture, springs, mattresses and pillows, floor coverings, curtains, draperies and scarves, shades, screens and awnings, electrical and mechanical equipment, elevators and building; other maintenance work and all similar supplies and expenses associated with providing the hotel with heat, light, power and water.

Rentals and other income

Rental income from stores, offices, clubs and other spaces not classified as concessions used for business purposes. Also includes revenue from concessions, income from vending machine operations, commissions (including pay stations) and interest earned.

Restaurant

Cost (Food)—Cost of food sold, before and after deduction of the cost of employees' meals.

Cost (Beverages)—Cost of beverages sold, after deduction of the cost of employees' beverages.

Payroll—Stewards, chefs, cooks, waiters, waitresses and bus boys, dishwashers, butchers, vegetable cleaners, bakers, pantry help, etc.; wine stewards and bartenders, stock clerks, storekeepers, cost clerks, checkers, cashiers.

Income, Departmental—Total restaurant sales and other restaurant income less total cost of food and beverages consumed, payroll and related expenses, adn other direct restaurant expenses.

Sales, Total Restaurant (Food and Beverages)—Gross sales of food and beverages, less allowances. Cover charges and other miscellaneous restaurant income are not included.

Rooms

Payroll—Assistant manager, front office clerks, not including bookkeeping, cashiers and bill clerks; housekeeper and assistants; linen room; maids; housemen; bellmen; elevator operators; floor clerks; pages; doormen; house officers and watchmen.

Income, Departmental—Room sales, less rooms payroll and related expenses and other direct room expenses.

Sales—Total rent income from guest and non-banquet public rooms, less allowances, not including office rentals, etc.

Sales, total

All sales and income, less allowances and cover charges.

Taxes

In calculating Number of Times Taxes Were Earned, taxes include all municipal taxes, such as real estate, personal property, sewer and utility. All payroll taxes are charged to the various departments.

Telephone

Income or loss, Departmental—Telephone sales, less cost of telephone service, telephone payroll and related expenses, and other direct telephone expenses.

Sales—Gross revenue from use of telephone facilities by guests, less allowances. Includes service charges and pay station commissions.

Further explanation may be found in *Uniform System of Accounts for Hotels.* ■

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